



# Federal Register

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**Monday,  
September 24, 2001**

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## **Part II**

### **Department of the Treasury**

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#### **Community Development Financial Institutions Fund**

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**Notice of Funds Availability (NOFA)  
Inviting Applications for the Community  
Development Financial Institutions  
Programs: Core and Intermediary  
Components; Small and Emerging CDFI  
Assistance (SECA) Component; Native  
American CDFI Technical Assistance  
(NACTA) Component; and Bank  
Enterprise Award Program; Notices**

**DEPARTMENT OF THE TREASURY****Community Development Financial Institutions Fund****Notice of Funds Availability (NOFA) Inviting Applications for the Community Development Financial Institutions Program—Core and Intermediary Components**

**AGENCY:** Community Development Financial Institutions Fund, Department of the Treasury.

**ACTION:** Notice of funds availability (NOFA) inviting applications for the FY 2002 funding round of the core and intermediary components of the Community Development Financial Institutions Program.

**SUMMARY:** The Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4701 *et seq.*) (the “Act”) authorizes the Community Development Financial Institutions Fund (the “Fund”) of the U.S. Department of the Treasury to select and provide financial and technical assistance to eligible applicants under the Community Development Financial Institutions (“CDFI”) Program. The interim rule (12 CFR part 1805), most recently published in the **Federal Register** on August 14, 2000 (65 FR 49642), provides guidance on the contents of the necessary application materials, evaluation criteria and other program requirements. More detailed application content requirements are found in the application packet related to this NOFA. While the Fund encourages applicants to review the interim rule, all of the application content requirements and the evaluation criteria contained in the interim rule are also contained in the application packet.

This NOFA is issued in connection with the Core and Intermediary Components of the CDFI Program. The Core Component provides financial assistance and technical assistance (“TA”) to CDFIs that serve their target markets through loans, investments, financial services and other activities. The Intermediary Component provides financial assistance and TA to CDFIs that provide financing primarily to other CDFIs and/or to support the formation of CDFIs. For Fiscal Year 2002, the Fund is combining the Core and Intermediary Component NOFAs into one funding round.

Published elsewhere in this issue of the **Federal Register** are (i) The Fund’s NOFA for the Small and Emerging CDFI Assistance (“SECA”) Component of the CDFI Program, through which CDFIs may apply for TA awards and Small and

Emerging CDFIs, as hereafter defined, may apply directly to the Fund for financial assistance and TA awards; (ii) the Fund’s NOFA for the Native American CDFI Technical Assistance (“NACTA”) Component of the CDFI Program, through which organizations that serve or wish to serve Native American communities through the provision of loans, investments and financial services, may apply directly to the Fund for TA awards; and (iii) the Fund’s NOFA for the Bank Enterprise Award (“BEA”) Program, through which the Fund offers financial incentives to insured depository institutions for the purpose of promoting investments in, or other support to, CDFIs and facilitating increased lending and provision of financial and other services in economically distressed communities. In addition, the Fund expects to issue, at a later date, a Notice of Allocation Availability (“NOAA”) for the New Markets Tax Credit (“NMTC”) Program, inviting applications from eligible entities for allocations of tax credits. As set forth in the Fund’s Guidance, published in the **Federal Register** on May 1, 2001 at 66 FR 21846, the NMTC Program will provide an incentive to investors in the form of a tax credit over seven years, which is expected to stimulate investment in new private capital that, in turn, will facilitate economic and community development in distressed communities.

Although an applicant may apply for an award through the Core/Intermediary Component and the SECA Component, it may only receive an award under one of those two Components. If an applicant applies for an award through the Core/Intermediary Component and the SECA Component, the Fund reserves the right to decide, in its sole discretion, under which Component, if any, an award may be made. While an applicant may receive only one award under either the Core/Intermediary Component or the SECA Component, an applicant, its subsidiaries or Affiliates may apply for and receive both a tax credit allocation through the NMTC Program and an award through the Core/Intermediary Component or the SECA Component.

An entity that is a NACTA Component Category 1 entity (as that term is defined in the NACTA NOFA) may apply for an award through the Core/Intermediary Component, the SECA Component, and the NACTA Component, but may only receive an award under one of those three Components. An applicant that is a NACTA Component Category 2 or Category 3 entity (as those terms are defined in the NACTA NOFA) may

apply for an award through the Core/Intermediary Component, the SECA Component, and the NACTA Component and may receive an award under the NACTA Component and either the Core/Intermediary Component or the SECA Component, provided that the respective applications propose and seek funding for different activities. While a NACTA Component Category 1 entity may receive only one award under the Core/Intermediary Component, the SECA Component, or the NACTA Component, said entity, its subsidiaries or Affiliates also may apply for and receive a tax credit allocation through the NMTC Program and an award through the Core/Intermediary Component, the SECA Component, or the NACTA Component.

Subject to funding availability, the Fund expects that it may award approximately \$36.9 million in appropriated funds under this Core and Intermediary Components NOFA. The Fund reserves the right to award in excess of \$36.9 million in appropriated funds under this NOFA provided that the funds are available and the Fund deems it appropriate. The Fund reserves the right to fund, in whole or in part, any, all, or none of the applications submitted in response to this NOFA.

**DATES:** Applications may be submitted at any time, commencing September 24, 2001. The deadline for an application is 5 p.m. EST on December 11, 2001. Applications received in the specific Bureau of the Public Debt—Franchise Services (BPD) office designated below after that date and time will be rejected and returned to the sender, except as follows. An application mailed via the United States Postal Service will be considered as having met the application deadline if it is clearly postmarked on or before midnight December 10, 2001. An application sent by overnight/express delivery will be considered as having met the application deadline if it is placed in transit with an overnight/express delivery service by no later than December 10, 2001. An application that is hand carried will be considered as having met the application deadline if it is received in the specific BPD office designated below by 5 p.m. EST on December 11, 2001. In each case, it is advisable to obtain documentation from the carrier showing the date and time the application was placed in transit or hand-delivered, as the case may be. A single, clear date and time stamp will help in determining whether the delivery of an application has met the deadline requirements set forth above.

Applications sent by facsimile will not be accepted; applications sent electronically or by e-mail will be accepted only as set forth below.

**Demonstration Project: Electronic Submission of Applications:** For purposes of this NOFA only, applicants are invited to participate in a pilot demonstration project to test the efficiency and efficacy of the Fund's new electronic application form. For this demonstration project, a limited number of applicants will be asked to complete and submit both a paper and an electronic application, in the formats prescribed by the Fund. If your organization is interested in learning more about this demonstration project, please (i) Visit [www.treas.gov/cdfi](http://www.treas.gov/cdfi) for more information and (ii) e-mail the Fund at [cdfihelp@cdfi.treas.gov](mailto:cdfihelp@cdfi.treas.gov) (with the subject line: "electronic application") within 30 days of this NOFA to submit your organization's name (and a point of contact) as a prospective demonstration project participant, whereupon the Fund will contact you to inform you whether your organization has been selected to participate in the demonstration project. Participation in the demonstration project is in no way indicative of the likelihood of an applicant's success in being selected for an award under this NOFA. The Fund will accept electronic submission of applications only as described in this Section.

**ADDRESSES:** Applications shall be sent to: CDFI Fund Awards Manager, Bureau of Public Debt—Franchising, 200 Third Street, Room 211, Parkersburg, WV 26101. Applications will not be accepted at the Fund's offices.

**FOR FURTHER INFORMATION CONTACT:** If you have any questions about the programmatic requirements for this program, contact the Fund's CDFI Program Manager. If you wish to request an application package or have questions regarding application procedures, contact the Fund's Awards Manager. The CDFI Program Manager and the Awards Manager may be reached by e-mail at [cdfihelp@cdfi.treas.gov](mailto:cdfihelp@cdfi.treas.gov), by telephone at (202) 622-8662, by facsimile at (202) 622-7754, or by mail at CDFI Fund, 601 13th Street, NW., Suite 200 South, Washington, DC 20005. These are not toll free numbers. Allow at least one to two weeks from the date the Fund receives a request for receipt of the application package. Applications and other information regarding the Fund and its programs may be downloaded from the Fund's web site at [www.treas.gov/cdfi](http://www.treas.gov/cdfi).

**SUPPLEMENTARY INFORMATION:**

**I. Background**

Credit and investment capital are essential ingredients for developing affordable housing, starting or expanding businesses, meeting unmet market needs, and stimulating economic growth. Access to financial services is critical to helping bring more Americans into the economic mainstream. The CDFI Program funds and supports financial institutions around the country that are specifically dedicated to financing and supporting community development activities. This strategy builds strong institutions that make loans and investments and provide financial services to markets (including economically distressed investment areas and disadvantaged targeted populations) whose needs for loans, investments, and financial services have not been fully met by traditional financial institutions.

This NOFA covers the Fiscal Year 2002 round of the Core and Intermediary Components of the CDFI Program and invites CDFIs and CDFI Intermediaries to submit applications for financial assistance and TA awards for the purpose of serving their target markets through the provision of loans, investments and financial services.

The Core Component provides assistance to CDFIs that directly serve their target markets through loans, investments and other activities, not including the financing of other CDFIs.

The Intermediary Component provides financial assistance and TA to CDFIs that provide financing primarily to other CDFIs and/or to support the formation of CDFIs. The Fund believes that providing financial assistance and/or TA to such intermediaries can be an effective way to enhance its support of the CDFI industry by reaching CDFIs that the Fund itself cannot reach as effectively under the Core Component. In particular, the Fund wishes to support the activities of those CDFI Intermediaries that provide financing, Development Services, and other support to Small and Emerging CDFIs and other CDFIs or CDFIs in formation that have not received assistance from the CDFI Fund. With respect to an entity that is not a depository institution holding company or an insured depository institution, a Small and Emerging CDFI is one that (i) possesses total assets of \$5 million or less as of the last day of its most recent fiscal year that ended prior to January 1, 2002, and (ii) prior to the date of the application by the CDFI Intermediary under this NOFA or the date of the application of the Small and Emerging CDFI under the SECA NOFA, has never been selected to

receive financial assistance under the CDFI Program. With respect to an applicant that is a depository institution holding company or an insured depository institution, a Small and Emerging CDFI is one that (i) prior to the date of the application by the CDFI Intermediary under this NOFA or the date of application of the Small and Emerging CDFI under the SECA NOFA, has never been selected to receive financial assistance under the CDFI Program, and (ii) received its original charter from the appropriate regulatory agency no more than three years prior to the date of this NOFA. This NOFA is not intended and should not be construed to allow an applicant to file a joint application on behalf of a group of other CDFIs, but rather to provide financial assistance and TA to intermediaries that provide financing, in arms-length transactions, to other CDFIs and/or support the formation of CDFIs.

Under this NOFA, the Fund anticipates a maximum award amount of \$2.0 million per applicant. However, the Fund, in its sole discretion, reserves the right to award amounts in excess of the anticipated maximum award amount if the Fund deems it appropriate.

Previous awardees under the CDFI Program are eligible to apply under this NOFA, but such applicants must be aware that success in a previous round should not be considered indicative of success under this NOFA. In addition, organizations will not be penalized for having received awards in previous funding rounds, except to the extent that: (1) The Fund is generally prohibited from obligating more than \$5 million in assistance, in the aggregate, to any one organization and its Subsidiaries and Affiliates during a three-year period (further guidance on the calculation of the \$5 million cap is available on the Fund's website at [www.treas.gov/cdfi](http://www.treas.gov/cdfi)); or (2) an applicant that is a previous Fund awardee under any other Fund program or component of the CDFI Program has failed to meet its reporting requirements, performance goals, financial soundness covenants (if applicable) and/or other requirements contained in the previously executed assistance or award agreement(s). Moreover, the Fund may, in its sole discretion, withhold or suspend making disbursements to an applicant, selected to receive an award under this NOFA, that either is a previous Fund awardee or whose Affiliate(s) is a previous Fund awardee under any other Fund program or component of the CDFI Program, if the applicant or its Affiliate(s) has failed to comply with any term, agreement, covenant or condition contained in or

referenced in any previous Fund assistance or award agreement. The Fund generally will commence or resume making disbursements to such applicant upon the applicant's or its Affiliate's subsequent compliance.

## II. Eligibility

The Act and the interim rule specify the eligibility requirements that each applicant must meet in order to be eligible to apply for assistance under this NOFA. At the time an entity submits its application, the entity must be a duly organized and validly existing legal entity under the laws of the jurisdiction in which it is incorporated or otherwise established. An entity must meet, or propose to meet, the Fund's CDFI certification requirements, as set forth in the Act and the interim rule. In general, an applicant, individually and collectively with its Affiliates, must have a primary mission of promoting community development. In addition, the applicant must: Be an insured depository institution, a depository institution holding company or an insured credit union; provide lending or equity investments; serve an investment area or a targeted population; provide development services; maintain community accountability; and be a non-government entity. If an applicant is a depository institution holding company or an Affiliate of a depository institution holding company, the applicant individually and collectively with its Affiliates must meet all of the aforementioned requirements.

For purposes of determining whether or not an applicant is serving an eligible Investment Area, the Fund will continue to use 1990 Census data, as 2000 Census data will not be available in sufficient detail for use under this NOFA.

As explained in the application packet, applicants seeking to designate an "Other Targeted Population" must provide a brief analytical narrative with information demonstrating that the designated group of individuals in the applicant's service area lacks adequate access to loans, Equity Investments or Financial Services. This narrative requirement does not apply to applicants serving an Other Targeted Population composed of Blacks or African Americans, Native Americans or American Indians, or Hispanics or Latinos, on a national service level. In addition, for purposes of this NOFA, the Fund has determined that credible evidence exists that Alaska Natives residing in Alaska and Native Hawaiians or Other Pacific Islanders residing in Hawaii or other Pacific Islands lack adequate access to loans,

Equity Investments or Financial Services. To the extent that an applicant is serving such population(s), it is not required to provide the analytical narrative describing these populations' unmet loan, Equity Investment or Financial Services needs.

For purposes of this NOFA, the Fund will use the following definitions, set forth in the Office of Management and Budget (OMB) Notice, Revisions to the Standards for the Classification of Federal Data on Race and Ethnicity (October 30, 1997):

(a) American Indian, Native American or Alaska Native: a person having origins in any of the original peoples of North and South America (including Central America) and who maintains tribal affiliation or community attachment;

(b) Black or African American: a person having origins in any of the black racial groups of Africa (terms such as "Haitian" or "Negro" can be used in addition to "Black or African American");

(c) Hispanic or Latino: a person of Cuban, Mexican, or Puerto Rican, South or Central American or other Spanish culture or origin, regardless of race (the term "Spanish origin" can be used in addition to "Hispanic or Latino"); and

(d) Native Hawaiian or Other Pacific Islander: a person having origins in any of the original peoples of Hawaii, Guam, Samoa or other Pacific Islands.

For further detail, please visit the Fund's website at [www.treas.gov/cdfi](http://www.treas.gov/cdfi), under Certification/Supplemental Information.

In the case of a CDFI Intermediary applicant whose total activities are principally directed toward serving certified CDFIs, the Fund will assume that the applicant principally serves eligible Target Markets. Such an applicant need only specify the service area in which its certified CDFI clients are located (e.g., names of cities, counties, states, or national). In the case of an applicant whose total activities are not principally directed toward serving certified CDFIs, the applicant must provide information on how it determines that its total activities are principally directed toward organizations principally serving eligible Target Markets, such as requiring a minimum level of activity within Target Markets, or other means.

If the applicant does not meet the CDFI certification requirements, the application shall include a realistic plan for the applicant to meet the certification criteria by December 31, 2003. In no event will the Fund disburse financial assistance and/or TA to the applicant until the applicant is certified

as a CDFI. Further details regarding certification, eligibility and other program requirements are found in the application packet.

## III. Types of Assistance

An applicant may submit an application for financial assistance, TA, or both, under this NOFA. Financial assistance may be provided through an equity investment (including, in the case of certain insured credit unions, secondary capital accounts), a grant, loan, deposit, credit union shares, or any combination thereof. Applicants for financial assistance shall indicate the dollar amount, form, and terms and conditions of the assistance requested. Applicants for TA under this NOFA shall describe the type(s) of TA requested, when the TA will be acquired, the provider(s) of the TA, the cost of the TA, and a narrative explanation of how the TA will enhance their community development impact.

## IV. Application Packet

An applicant under this NOFA, whether applying for financial assistance, TA, or both, must submit the materials described in the application packet.

## V. Matching Funds

Applicants responding to this NOFA must obtain matching funds from sources other than the Federal government on the basis of not less than one dollar for each dollar of financial assistance provided by the Fund (matching funds are not required for TA). Matching funds must be at least comparable in form and value to the financial assistance provided by the Fund. Non-Federal funds obtained or legally committed on or after January 1, 2001, and before December 31, 2003, may be considered when determining matching funds availability. The Fund reserves the right to recapture and reprogram funds if an applicant fails to raise the required matching funds by December 31, 2003, or to grant an extension of such matching funds deadline for specific applicants selected for assistance, if the Fund deems it appropriate. Funds used by an applicant as matching funds for a previous award under the CDFI Program or under another Federal grant or award program cannot be used to satisfy the matching funds requirement. If an applicant seeks to use as matching funds monies received from an organization that was a previous awardee under the CDFI Program, the Fund will deem such funds to be Federal funds, unless the funding entity establishes to the reasonable satisfaction of the Fund, that

such funds do not consist, in whole or in part, of CDFI Program funds or other Federal funds.

## VI. Evaluation

All applications will be reviewed for eligibility and completeness. If determined to be eligible and complete, applications will be evaluated by the Fund on a competitive basis in accordance with the criteria described in this NOFA. In conducting its substantive review, the Fund will evaluate each application and assign numeric scores related to:

(1) The applicant's ability to carry out its Comprehensive Business Plan and create community development impact (the Ability Criterion);

(2) The quality of the applicant's strategy for carrying out its Comprehensive Business Plan and for creating community development impact (the Strategy Criterion); and

(3) The extent to which an award to the applicant will maximize the effective use of the Fund's resources (the Effective Use Criterion).

In addition, the Fund may consider the institutional and geographic diversity of applicants in making its funding determinations.

### Phase One

In Phase One of the substantive review, each Fund reader(s) will evaluate applications using a 100 point scale, as follows:

(a) The Ability Criterion (the applicant's ability to carry out its Comprehensive Business Plan and create community development impact): 50 point maximum, with a minimum score of 25 points required to be passed on for Phase Two review. The score of the Ability Criterion is based on a composite assessment of an applicant's organizational strengths and weaknesses under the four sub-criteria listed below. Such scoring reflects different weighting of the sub-criteria depending on whether an applicant is a start-up organization or an established organization. The Fund defines a start-up organization as an entity that has been in operation two years or less as of the date of this NOFA (meaning, for purposes of this NOFA, having incurred initial operating expenses on or after September 24, 1999).

Under the Ability Criterion, the Fund will evaluate the following four sub-criteria:

(1) Community development track record, including (for CDFI Intermediary applicants) activities and impacts relating to both Small and Emerging CDFIs and CDFIs that have not received assistance from the Fund: 12 point

maximum (established organizations), 5 point maximum (start-ups);

(2) Operational capacity and risk mitigation strategies: 12 point maximum (established organizations), 15 point maximum (start-ups);

(3) Financial track record and strength: 12 point maximum (established organizations), 5 point maximum (start-ups); and

(4) Capacity, skills and experience of the management team: 14 point maximum (established organizations), 25 point maximum (start-ups).

(b) The Strategy Criterion (the quality of the strategy for carrying out the Comprehensive Business Plan and for creating community development impact): 40 point maximum with a minimum of 20 points required to be passed on for Phase Two review. Under the Strategy Criterion, the Fund will evaluate the following four sub-criteria:

(1) The applicant's understanding of its market: 10 point maximum;

(2) Program design and implementation plan: 10 point maximum;

(3) Projections for financial performance and raising needed resources: 10 point maximum; and

(4) Projections for generating, measuring and evaluating community development impact: 10 point maximum.

In the case of an applicant that has previously received assistance from the Fund under the CDFI Program, the Fund will consider whether the applicant will expand its operations into a new target market, offer more products or services, and/or increase the volume of its activities.

(c) The Effective Use Criterion (maximizing effective use of Fund resources): 10 point maximum, with a minimum of 5 points required to be passed on for Phase Two review. The Fund will consider:

(1) The extent to which the applicant needs the Fund's assistance to carry out its Comprehensive Business Plan, including its track record in deploying existing resources;

(2) The extent to which assistance from the Fund will help the applicant attract new or additional resources in support of its community development activities;

(3) The extent of economic distress in the applicant's target market;

(4) Other positive impacts that the Fund's assistance will enable, including development of innovative products and services that would benefit the applicant's Target Market specifically, and underserved markets generally; and

(5) For CDFI Intermediary applicants, the extent to which the applicant's

assistance to CDFIs and CDFIs in formation provides additional benefits, especially to Small and Emerging CDFIs, that are not provided by the Fund.

In addition, in the case of an applicant that has previously received assistance from the Fund under the CDFI Program, the Fund will consider:

(1) The applicant's level of success and extent of compliance in meeting its performance goals, financial soundness covenants (if applicable) and other requirements contained in the assistance agreement(s) with the Fund;

(2) The benefits that will be created with new Fund assistance over and above benefits created by previous Fund assistance; and

(3) The extent and effectiveness to which the applicant has used previous assistance from the Fund.

### Phase Two

Once the initial evaluation is completed, the Fund will determine which applications will receive further consideration for funding based on the recommendations and scores (standardized if deemed appropriate) received during Phase One review and the amount of funds available.

Applicants that advance to Phase Two may receive a site visit and/or telephone interview(s) conducted by a Fund reviewer for the purpose of obtaining clarifying or confirming information. At this point in the process, applicants will be required to submit additional information, as set forth in detail in the application packet. After conducting such site visits/telephone interview(s), the Fund reviewers will evaluate applications based on all the elements outlined in the application, and prepare recommendation memoranda containing recommendations on the type and amount of assistance, if any, that should be provided to each applicant.

A final review panel comprised of senior Fund staff will consider the Fund reviewers' recommendation memoranda and make final recommendations to the Fund's selecting official. In making its recommendations, the final review panel also may consider the institutional diversity and geographic diversity of applicants (e.g., recommending a CDFI from a state in which the Fund has not previously made an award over a CDFI in a state in which the Fund has already made numerous awards).

The Fund's selecting official will make a final funding determination based on the applicant's file, including, without limitation, Phase One and Phase Two reviewer(s) recommendations and the panel's recommendation, the amount of funds

available, and for a prior awardee, the status of its compliance and award disbursements to date. In the case of regulated CDFIs, the selecting official will also take into consideration the views of the appropriate Federal banking agencies. The Fund's selecting official reserves the right to reject any application in the case of a previous Fund awardee that has failed to comply with the terms and conditions of its previous assistance or award agreement(s).

The Fund reserves the right to change these evaluation procedures if the Fund deems it appropriate.

## VII. Information Sessions

In connection with the Fiscal Year 2002 funding rounds of its programs, the Fund will conduct In-Person Information Sessions to disseminate information to organizations contemplating applying to, and other organizations interested in learning about, the Core, Intermediary, SECA and NACTA Components of the CDFI Program, and the BEA Program. Registration is required, as the In-Person Information Sessions will be held in secured federal facilities. The Fund anticipates conducting up to 17 In-Person Information Sessions, through October 31, 2001, in the following cities: Anchorage, AK; Boston, MA; Chicago, IL; Dallas, TX; Denver, CO; Honolulu, HI; Los Angeles, CA; Memphis, TN; Miami, FL; Minneapolis, MN; Philadelphia, PA; Seattle, WA; and Washington, DC.

In addition to the In-Person Information Sessions listed above, the Fund will broadcast a Televideo Information Session, using interactive video-teleconferencing technology, on November 8, 2001 (tentative date), 1:00 p.m. to 4:00 p.m. EST. Registration is required, as the Televideo Information Session will be held in secured federal facilities. The Televideo Information Session will be produced in Washington, DC, and will be downlinked via satellite to the local Department of Housing and Urban Development (HUD) offices located in the following 81 cities: Albany, NY; Albuquerque, NM; Anchorage, AK; Atlanta, GA; Baltimore, MD; Bangor, ME; Birmingham, AL; Boise, ID; Boston, MA; Buffalo, NY; Burlington, VT; Camden, NJ; Casper, WY; Charleston, WV; Chicago, IL; Cincinnati, OH; Cleveland, OH; Columbia, SC; Columbus, OH; Dallas, TX; Denver, CO; Des Moines, IA; Detroit, MI; Fargo, ND; Flint, MI; Fort Worth, TX; Fresno, CA; Grand Rapids, MI; Greensboro, NC; Hartford, CT; Helena, MT; Honolulu, HI; Houston, TX; Indianapolis, IN; Jackson,

MS; Jacksonville, FL; Kansas City, KS; Knoxville, TN; Las Vegas, NV; Little Rock, AR; Los Angeles, CA; Louisville, KY; Lubbock, TX; Manchester, NH; Memphis, TN; Miami, FL; Milwaukee, WI; Minneapolis, MN; Nashville, TN; New Orleans, LA; New York, NY; Newark, NJ; Oklahoma City, OK; Omaha, NE; Orlando, FL; Philadelphia, PA; Phoenix, AZ; Pittsburgh, PA; Portland, OR; Providence, RI; Reno, NV; Richmond, VA; Sacramento, CA; St. Louis, MO; Salt Lake City, UT; San Antonio, TX; San Diego, CA; San Francisco, CA; San Juan, PR; Santa Ana, CA; Seattle, WA; Shreveport, LA; Sioux Falls, SD; Spokane, WA; Springfield, IL; Syracuse, NY; Tampa, FL; Tucson, AZ; Tulsa, OK; Washington, DC; and Wilmington, DE.

For further information on the Fund's Information Sessions, dates and locations, or to register online for an Information Session, please visit the Fund's website at [www.treas.gov/cdfi](http://www.treas.gov/cdfi). If you do not have Internet access, you may register by calling the Fund at (202) 622-8662.

Catalog of Federal Domestic Assistance: 21.021.

**Authority:** 12 U.S.C. 1834a, 4703, 4703 note, 4713; 12 CFR part 1806.

**Tony Brown,**

*Director, Community Development Financial Institutions Fund.*

[FR Doc. 01-23670 Filed 9-21-01; 8:45 am]

**BILLING CODE 4810-70-P**

## DEPARTMENT OF THE TREASURY

### Community Development Financial Institutions Fund

#### Notice of Funds Availability (NOFA) Inviting Applications for the Community Development Financial Institutions Program—Small and Emerging CDFI Assistance (SECA) Component

**AGENCY:** Community Development Financial Institutions Fund, Department of the Treasury.

**ACTION:** Notice of funds availability (NOFA) inviting applications for the FY 2002 funding round of the SECA component of the Community Development Financial Institution Program.

**SUMMARY:** The Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4701 *et seq.*) (the "Act") authorizes the Community Development Financial Institutions Fund (the "Fund") of the U.S. Department of the Treasury to select and provide financial and technical

assistance to eligible applicants under the Community Development Financial Institutions ("CDFI") Program. The interim rule (12 CFR part 1805), most recently published in the **Federal Register** on August 14, 2000 (65 FR 49642), provides guidance on the contents of the necessary application materials, evaluation criteria, and other program requirements. More detailed application content requirements are found in the application packet related to this NOFA. While the Fund encourages applicants to review the interim rule, all of the application content requirements and the evaluation criteria contained in the interim rule are also contained in the application packet.

This NOFA is issued in connection with the SECA Component of the CDFI Program. The SECA Component provides financial assistance ("FA") and technical assistance ("TA") to CDFIs and entities that propose to become CDFIs in order to enhance their capacity to serve their respective target markets, through loans, investments, financial services and other activities. An applicant under the SECA Component also may use TA to build the capacity of an Affiliate if the provision of such TA will directly benefit the primary mission of the applicant and the objectives of its Comprehensive Business Plan.

Published elsewhere in this issue of the **Federal Register** are (i) the Fund's NOFA for the combined Core and Intermediary Components of the CDFI Program, through which CDFIs may apply directly to the Fund for FA and/or TA awards, (ii) the Fund's NOFA for the Native American CDFI Technical Assistance ("NACTA") Component of the CDFI Program, through which organizations that serve or wish to serve Native American communities through the provision of loans, investments and financial services, may apply directly to the Fund for TA awards; and (iii) the Fund's NOFA for the Bank Enterprise Award ("BEA") Program, through which the Fund offers financial incentives to insured depository institutions for the purpose of promoting investments in or other support to CDFIs and facilitating increased lending and provision of financial and other services in economically distressed communities. In addition, the Fund expects to issue, at a later date, a Notice of Allocation Availability ("NOAA") for the New Markets Tax Credit ("NMTC") Program, inviting applications from eligible entities for allocations of tax credits. As set forth in the Fund's Guidance, published in the **Federal Register** on May 1, 2001 at 66 FR 21846, the NMTC Program will provide an incentive to

investors in the form of a tax credit over seven years, which is expected to stimulate investment in new private capital that, in turn, will facilitate economic and community development in distressed communities.

Although an applicant may apply for an award through the Core/Intermediary Component and the SECA Component, it may only receive an award under one of those two Components. If an applicant applies for an award through the Core/Intermediary Component and the SECA Component, the Fund reserves the right to decide, in its sole discretion, under which Component, if any, an award may be made. While an applicant may receive only one award under either the Core/Intermediary Component or the SECA Component, an applicant, its subsidiaries or Affiliates may apply for and receive both a tax credit allocation through the NMTC Program and an award through the Core/Intermediary Component or the SECA Component.

An entity that is a NACTA Component Category 1 entity (as that term is defined in the NACTA NOFA) may apply for an award through the Core/Intermediary Component, the SECA Component, and the NACTA Component, but may only receive an award under one of those three Components. An applicant that is a NACTA Component Category 2 or Category 3 entity (as those terms are defined in the NACTA NOFA) may apply for an award through the Core/Intermediary Component, the SECA Component, and the NACTA Component and may receive an award under the NACTA Component and either the Core/Intermediary Component or the SECA Component, provided that the respective applications propose and seek funding for different activities. While a NACTA Component Category 1 entity may receive only one award under the Core/Intermediary Component, the SECA Component, or the NACTA Component, said entity, its subsidiaries or Affiliates also may apply for and receive a tax credit allocation through the NMTC Program and an award through the Core/Intermediary Component, the SECA Component, or the NACTA Component.

Subject to funding availability, the Fund expects that it may award approximately \$5.6 million in appropriated funds under this SECA Component NOFA. The Fund reserves the right to award in excess of \$5.6 million in appropriated funds under this NOFA provided that the funds are available and the Fund deems it appropriate. The Fund reserves the right

to fund, in whole or in part, any, all, or none of the applications submitted in response to this NOFA.

**DATES:** Applications may be submitted at any time, commencing September 24, 2001. The deadline for an application is 5:00 p.m. EST on January 24, 2002. Applications received in the specific Bureau of the Public Debt—Franchise Services (BPD) office designated below after that date and time will be rejected and returned to the sender, except as follows. An application mailed via United States Postal Service will be considered as having met the application deadline if it is clearly postmarked on or before midnight January 23, 2002. An application sent by overnight/express delivery will be considered as having met the application deadline if it is placed in transit with an overnight/express delivery service by no later than January 23, 2002. An application that is hand-carried will be considered as having met the application deadline if it is received in the specific BPD office designated below by 5:00 pm EST on January 24, 2002. In each case, it is advisable to obtain documentation from the carrier showing the date and time the application was placed in transit or hand-delivered, as the case may be. A single, clear date and time stamp will help in determining whether the delivery of an application has met the deadline requirements set forth above. Applications sent by facsimile will not be accepted; applications sent electronically or by e-mail will be accepted only as set forth below.

**Demonstration Project: Electronic Submission of Applications:** For purposes of this NOFA only, applicants are invited to participate in a pilot demonstration project to test the efficiency and efficacy of the Fund's new electronic application form. For this demonstration project, a limited number of applicants will be asked to complete and submit both a paper and an electronic application, in the formats prescribed by the Fund. If your organization is interested in learning more about this demonstration project, please (i) visit [www.treas.gov/cdfi](http://www.treas.gov/cdfi) for more information and (ii) email the Fund at [cdfihelp@cdfi.treas.gov](mailto:cdfihelp@cdfi.treas.gov) (with the subject line: "electronic application") within 30 days of this NOFA to submit your organization's name (and point of contact) as a prospective demonstration project participant, whereupon the Fund will contact you to inform you whether your organization has been selected to participate in the demonstration project. Participation in the demonstration

project is in no way indicative of the likelihood of an applicant's success in being selected for an award under this NOFA. The Fund will accept electronic submission of applications only as described in this Section.

**ADDRESSES:** Applications shall be sent to: CDFI Fund Awards Manager, Bureau of Public Debt—Franchising, 200 Third Street, Room 211, Parkersburg, WV 26101. Applications will not be accepted in the Fund's offices.

**FOR FURTHER INFORMATION CONTACT:** If you have any questions about the programmatic requirements for this program, contact the Fund's SECA Component Program Manager. If you wish to request an application package or have questions regarding application procedures, contact the Fund's Awards Manager. The SECA Component Program Manager and the Awards Manager may be reached by e-mail at [cdfihelp@cdfi.treas.gov](mailto:cdfihelp@cdfi.treas.gov), by telephone at (202) 622-8662, by facsimile at (202) 622-7754, or by mail at CDFI Fund, 601 13th Street, NW, Suite 200 South, Washington, DC 20005. These are not toll free numbers. Allow at least one to two weeks from the date the Fund receives a request for receipt of the application package. Applications and other information regarding the Fund and its programs may be downloaded from the Fund's web site at [www.treas.gov/cdfi](http://www.treas.gov/cdfi).

## SUPPLEMENTARY INFORMATION

### I. Background

Credit and investment capital are essential ingredients for developing affordable housing, starting or expanding businesses, meeting unmet market needs, and stimulating economic growth. Access to financial services is critical to help bring more Americans into the economic mainstream. The CDFI Program funds and supports financial institutions around the country that are specifically dedicated to financing and supporting community development activities. This strategy builds strong institutions that make loans and investments and provide services to markets (including economically distressed investment areas and disadvantaged targeted populations) whose needs for loans, investments, and financial services have not been met by traditional financial institutions.

This NOFA covers the Fiscal Year 2002 round of the SECA Component of the CDFI Program and invites CDFIs and Small and Emerging CDFIs to submit applications for TA or for Small and Emerging CDFIs to apply for a combination of TA and FA for the

purpose of serving their target markets through the provision of loans, investments, and financial services.

Under this NOFA, the Fund anticipates making a maximum TA award in the amount of \$50,000 to any one applicant seeking TA only. However, the Fund, in its sole discretion, reserves the right to award amounts in excess of the anticipated maximum amount of TA if the Fund deems it appropriate. Also, under this NOFA, the Fund anticipates making a maximum FA award in the amount of \$150,000. The maximum award available to any one applicant seeking FA and TA under this NOFA will be \$200,000. Under the SECA Component, applicants seeking FA must also request TA. Previous awardees of FA under any Component of the CDFI Program are eligible to apply only for TA under this NOFA.

Previous awardees under the CDFI Program are eligible to apply under this NOFA, but such applicants must be aware that success in a previous round should not be considered indicative of success under this NOFA. In addition, organizations will not be penalized for having received awards in previous funding rounds, except to the extent that: (1) The Fund generally is prohibited from obligating more than \$5 million in assistance, in the aggregate, to any one organization and its Subsidiaries and Affiliates during a three-year period (further guidance on the calculation of the \$5 million cap is available on the Fund's website at [www.treas.gov/cdfi](http://www.treas.gov/cdfi)); or (2) an applicant that is a previous Fund awardee under any other Fund program or component of the CDFI Program has failed to meet its reporting requirements, performance goals, financial soundness covenants (if applicable) and/or other requirements contained in the previously executed assistance or award agreement(s). Moreover, the Fund may, in its sole discretion, withhold or suspend making disbursements to an applicant, selected to receive an award under this NOFA, that either is a previous Fund awardee or whose Affiliate(s) is a previous Fund awardee under any other Fund program or component of the CDFI Program, if the applicant or its Affiliate(s) has failed to comply with any term, agreement, covenant or condition contained in or referenced in any previous Fund assistance or award agreement. The Fund will generally commence or resume making disbursements to such applicant upon the applicant's or its Affiliate's subsequent compliance.

## II. Eligibility

The Act and the interim rule specify the eligibility requirements that each applicant must meet in order to be eligible to apply for assistance under this NOFA. At the time an entity submits its application, the entity must be a duly organized and validly existing legal entity under the laws of the jurisdiction in which it is incorporated or otherwise established. Also, an entity must meet, or propose to meet, the Fund's CDFI certification eligibility requirements.

If the applicant does not meet the CDFI certification eligibility requirements, the application shall include a realistic plan for the applicant to meet the CDFI certification criteria by January 24, 2004 (the deadline may be extended at the sole discretion of the Fund). In no event will the Fund disburse FA to the applicant until the applicant is certified as a CDFI. The Fund, in its sole discretion, may disburse TA to an applicant prior to its certification as a CDFI in circumstances when, in the judgment of the Fund, said TA will help the applicant meet a certification requirement(s). Further details regarding eligibility and other program requirements are found in the application packet related to this NOFA.

In general, to be certified as a CDFI, an applicant, individually and collectively with its affiliates, must have a primary mission of promoting community development. In addition, the applicant must: be an insured depository institution, a depository institution holding company or an insured credit union; provide loans or equity investments; serve an investment area or a targeted population; provide development services; maintain community accountability; and be a non-governmental entity. If an applicant is a depository institution holding company or an affiliate of a depository institution holding company, the applicant individually and collectively with its affiliates, must meet all of the aforementioned requirements.

For purposes of determining whether or not the applicant is serving an eligible Investment Area, the Fund will continue to use 1990 Census data, since the 2000 Census data will not be available in sufficient detail for use under this NOFA.

As explained in the application packet, applicants seeking to designate an "Other Targeted Population" must provide a brief analytical narrative with information demonstrating that the designated group of individuals in the applicant's service area lacks adequate access to loans, Equity Investments or

Financial Services. This narrative requirement does not apply to applicants serving an Other Targeted Population composed of Blacks or African Americans, Native Americans or American Indians, or Hispanics or Latinos, on a national service level. In addition, for purposes of this NOFA, the Fund has determined that credible evidence exists that Alaska Natives residing in Alaska and Native Hawaiians or Other Pacific Islanders residing in Hawaii or other Pacific Islands lack adequate access to loans, Equity Investments or Financial Services. To the extent that an applicant is serving such population(s), it is not required to provide the analytical narrative describing these populations' unmet loan, Equity Investment or Financial Services needs.

For purposes of this NOFA, the Fund will use the following definitions, set forth in the Office of Management and Budget (OMB) Notice, Revisions to the Standards for the Classification of Federal Data on Race and Ethnicity (October 30, 1997):

(a) American Indian, Native American or Alaska Native: a person having origins in any of the original peoples of North and South America (including Central America) and who maintains tribal affiliation or community attachment;

(b) Black or African American: a person having origins in any of the black racial groups of Africa (terms such as "Haitian" or "Negro" can be used in addition to "Black or African American");

(c) Hispanic or Latino: a person of Cuban, Mexican, or Puerto Rican, South or Central American or other Spanish culture or origin, regardless of race (the term "Spanish origin" can be used in addition to "Hispanic or Latino"); and

(d) Native Hawaiian or Other Pacific Islander: a person having origins in any of the original peoples of Hawaii, Guam, Samoa or other Pacific Islands.

For further detail, please visit the Fund's website at [www.treas.gov/cdfi](http://www.treas.gov/cdfi), under Certification/Supplemental Information.

In addition to the above criteria, there are other eligibility factors for applicants seeking FA and TA under the SECA Component. Applicants for FA and TA (as opposed to TA only under the SECA Component) must be "Small and Emerging" entities. With respect to an entity that is not a depository institution holding company or an insured depository institution, a Small and Emerging entity is one that (i) possesses total assets of \$5 million or less as of the last day of its most recent fiscal year that ended prior to January 1,



2002, and (ii) prior to the date of application under this NOFA, has never been selected to receive FA under the CDFI Program. With respect to an applicant that is a depository institution holding company or an insured depository institution, a Small and Emerging entity is one that (i) prior to the date of application under this NOFA, has never been selected to receive FA under the CDFI Program, and (ii) received its original charter from the appropriate regulatory agency no more than three years prior to the date of this NOFA.

### III. Types of Assistance

An applicant under this NOFA may submit an application for a TA grant or for both FA and TA. FA may be provided in the form of an equity investment (including, in the case of certain insured credit unions, secondary capital accounts), a grant, loan, deposit, credit union shares, or any combination thereof. Applicants for FA shall indicate the dollar amount, form, and terms and conditions of the assistance requested. Applicants for TA under this NOFA shall describe the type(s) of TA requested, when the TA will be acquired, the provider(s) of the TA, the cost of the TA, and a narrative explanation of how the TA will enhance their community development impact.

### IV. Application Packet

An applicant under this NOFA, whether applying for TA or both FA and TA, must submit the materials described in the application packet.

### V. Matching Funds

Applicants seeking FA under this NOFA must obtain matching funds from sources other than the Federal government on the basis of not less than one dollar for each dollar of FA provided by the Fund (matching funds are not required for TA). Matching funds must be at least comparable in form and value to the FA provided by the Fund. Non-Federal funds obtained or legally committed on or after January 1, 2000, and before December 31, 2003, may be considered when determining matching funds availability. The Fund reserves the right to recapture and reprogram funds if an applicant fails to raise the required matching funds by December 31, 2003, or to grant an extension of such matching funds deadline for specific applicants selected for assistance, if the Fund deems it appropriate. Funds used by an applicant as matching funds for a previous award under the CDFI Program or under another Federal grant or award program cannot be used to satisfy the

aforementioned matching funds requirement. If an applicant seeks to use as Matching Funds monies received from an organization that was a previous awardee under the CDFI Program, the Fund will deem such funds to be Federal funds, unless the funding entity establishes to the reasonable satisfaction of the Fund, that such funds do not consist, in whole or in part, of CDFI Program funds or other Federal funds.

### VI. Evaluation

Applications received will be reviewed for eligibility and completeness. If determined to be eligible and complete, applications will be evaluated by the Fund on a competitive basis in accordance with the criteria described in this NOFA. In conducting its substantive review, the Fund will evaluate applications according to the criteria, and use the procedure described, in this NOFA. In conducting its substantive review, the Fund will evaluate each application and assign numeric scores related to the applicant's Comprehensive Business Plan and Technical Assistance Proposal.

In addition, the Fund may consider the institutional and geographic diversity of applicants in making its funding determinations.

#### Phase One

In Phase One of the substantive review, each Fund reader will evaluate applications on a 100-point scale, using the following criteria and allocation of points:

(a) *Comprehensive Business Plan*: 60 point maximum; with a minimum score of 30 points required to advance to Phase Two review (TA only applicants); or 70 point maximum, with a minimum score of 35 points required to advance to Phase Two review (applicants seeking TA and FA combined). The score for the Comprehensive Business Plan is based on a composite assessment of an applicant's strength and weaknesses under five sub-criteria for TA only applicants and six sub-criteria for those applicants seeking TA and FA. Scoring of the sub-criteria is weighted to reflect whether the applicant is a start-up organization or an established organization. The Fund defines a start-up organization as an entity that has been in operation three years or less, as of the date of this NOFA (meaning, for purposes of this NOFA, having incurred initial operating expenses on or after September 24, 1998).

In reviewing the Comprehensive Business Plan, the Fund will evaluate the following sub-criteria:

(1) Community development track record (established organizations only): 10 point maximum;

(2) Financial and operational capacity: 10 point maximum (established organizations); 4 point maximum (start-ups);

(3) Market analysis, program design and implementation plan, and funding sources: 14 point maximum;

(4) Capacity, skills and experience of the management team: 14-point maximum (established organizations); and 30 point maximum (start-ups);

(5) Projected activities and community development impact: 12 point maximum; and

(6) Financial projections and resources: 10 point maximum (TA only applicants will not be evaluated under this sub-criterion).

In the case of an applicant that has previously received TA from the Fund under the CDFI Program, the Fund will consider whether the applicant will expand its operations into a new target market, offer more products or services, improve the quality of its products and services, and/or increase the volume of its activities. The Fund will consider the applicant's level of success in meeting its reporting requirements, performance goals, financial soundness agreements, and other requirements contained in its existing assistance or award agreement(s) with the Fund, and the benefits that will be created with new Fund assistance over and above benefits created by previous Fund assistance.

(b) *Technical Assistance Proposal (TAP)*: 40 point maximum; with a minimum score of 20 points to advance to Phase Two review (TA only applicants); or 30 point maximum with a 15 point minimum to advance to Phase Two review (applicants seeking FA and TA combined). The TAP provides the applicant with an opportunity to address the organizational improvements needed to achieve the objectives of its comprehensive business plan. Such assessment is accompanied by a budget and a TA award request. In the TAP, the applicant should describe how improving its organization will translate to community development impact, particularly within its Target Market. The budget and accompanying narrative will be evaluated for the eligibility of proposed uses of the TA award. Eligible types of TA award uses include, but are not limited to, the following: (1) Acquiring consulting services; (2) paying staff salary for the limited purposes of completing tasks and/or fulfilling functions that are otherwise eligible TA award uses under this NOFA; (3) acquiring/enhancing

technology items; and (4) acquiring training for staff or management. The Fund will not consider requests under this NOFA for expenses that, in the determination of the Fund, are deemed to be ongoing operating expenses rather than non-recurring expenses.

The Fund will consider requests for use of TA to pay for staff salary only when the applicant demonstrates and represents that: the proposed staff time to be paid for by the TA will be used for a non-recurring activity that will build the applicant's capacity to achieve its objectives as set forth in its Comprehensive Business Plan; the proposed capacity-building activity would otherwise be contracted to a consultant or not be undertaken; and the staff person assigned to the proposed task has the competence to successfully complete the activity. This limited use of TA may cover only that portion of a staff person's salary that represents the time that staff person(s) spends on the identified capacity-building activities, but must not exceed 50 percent of said annual salary in a 12-month period, and for a total period not to exceed 24 months. For example, it may be an eligible use of a TA grant to pay the salary of staff assigned the task of updating a market analysis or designing underwriting criteria for a new loan product, when that market analysis or loan product is critical to achieving the objectives of the Comprehensive Business Plan. A TA award may not be used for the cost of employee benefits or overhead expenses or to assist an awardee to prepare an application for funding to the Fund or any other source.

#### *Phase Two*

Once the initial evaluation is completed, the Fund will determine which applications will receive further consideration for funding based on the recommendations and scores (standardized if deemed appropriate) received during Phase One review and the amount of funds available.

Applicants that advance to Phase Two may receive a site visit and/or telephone interview(s) conducted by a Fund reviewer for the purpose of obtaining clarifying or confirming information. At this point in the process, applicants may be required to submit additional clarifying information about their application in order to assist the Fund with its final evaluation. After conducting such site visit and/or telephone interview(s), Fund reviewers will evaluate applications based on all the elements outlined in the application, and prepare recommendation memoranda containing the type, uses and amount of assistance,

if any, that should be provided to each applicant.

The Fund reserves the right, in its sole discretion, to use a review panel comprised of Fund staff to consider each Fund reviewer's recommendation memorandum and make a final recommendation to the Fund's selecting official. The Fund's selecting official will consider the panel's recommendation, if applicable, and the reviewer's recommendation memorandum in order to make the final funding decision. In making the funding decision, the Fund's selecting official also may consider the institutional diversity and geographic diversity of applicants (e.g., selecting a CDFI from a state in which the Fund has not previously made an award over a CDFI in a state in which the Fund has already made several awards).

The Fund's selecting official will make a final funding determination based on the applicant's file, including, without limitation, recommendations of the Phase One and Phase Two reviewers' recommendations and the panel's recommendations, if applicable, the amount of funds available, and, for a prior awardee, the status of its compliance and award disbursements to date. In the case of regulated CDFIs, the selecting official will also take into consideration the views of the appropriate Federal banking agencies. In the case of recommendations for TA awards over \$50,000, the Fund will seek to ensure that there is a likelihood of significant community development impact resulting from such awards. The Fund's selecting official reserves the right to reject any application in the case of a previous Fund awardee that has failed to comply with the terms and conditions of its previous assistance or award agreement(s).

The Fund reserves the right to change these evaluation procedures if the Fund deems it appropriate.

#### **V. Waiver**

The CDFI Program Regulations at 12 C.F.R. §§ 1805.504(d)(4)(i)(A) and 1805.504(d)(4)(i)(B) provide that an applicant that is an Insured Credit Union proposing to meet all or a portion of its matching funds requirements by using retained earnings that have been accumulated since its inception must increase its member and/or non-member shares by an amount that is at least equal to four times the amount of retained earnings that is committed as matching funds within 24 months from September 30 of the calendar year in which the applicable application deadline falls. For purposes of this NOFA, the Fund is waiving said four-

fold requirement and will instead require that such an Insured Credit Union applicant must increase its member and/or non-member shares by an amount that is at least equal to two times the amount of retained earnings that is being used as matching funds by September 30, 2004. The Fund believes that changing this requirement, for purposes of this SECA Component NOFA, from a four-fold to a two-fold requirement is an appropriate accommodation for Small and Emerging entities.

#### **VII. Information Sessions**

In connection with the Fiscal Year 2002 funding rounds of its programs, the Fund will conduct In-Person Information Sessions to disseminate information to organizations contemplating applying to, and other organizations interested in learning about, the Core, Intermediary, SECA and NACTA Components of the CDFI Program, and the BEA Program. Registration is required, as the In-Person Information Sessions will be held in secured federal facilities. The Fund anticipates conducting up to 17 In-Person Information Sessions, during the period from September 26 through October 31, 2001, in the following cities: Albuquerque, NM; Anchorage, AK; Atlanta, GA; Billings, MT; Boston, MA; Charleston, WV; Chicago, IL; Denver, CO; Honolulu, HI; Los Angeles, CA; Memphis, TN; Miami, FL; Minneapolis, MN; Oklahoma City, OK; Philadelphia, PA; San Antonio, TX; and Seattle, WA.

In addition to the In-Person Information Sessions listed above, the Fund will broadcast a Televideo Information Session, using interactive video-teleconferencing technology, on November 8, 2001 (tentative date), 1:00 p.m. to 4:00 p.m. EST. Registration is required, as the Televideo Information Session will be held in secured federal facilities. The Televideo Information Session will be produced in Washington, DC, and will be downlinked via satellite to the local Department of Housing and Urban Development (HUD) offices located in the following 81 cities: Albany, NY; Albuquerque, NM; Anchorage, AK; Atlanta, GA; Baltimore, MD; Bangor, ME; Birmingham, AL; Boise, ID; Boston, MA; Buffalo, NY; Burlington, VT; Camden, NJ; Casper, WY; Charleston, WV; Chicago, IL; Cincinnati, OH; Cleveland, OH; Columbia, SC; Columbus, OH; Dallas, TX; Denver, CO; Des Moines, IA; Detroit, MI; Fargo, ND; Flint, MI; Fort Worth, TX; Fresno, CA; Grand Rapids, MI; Greensboro, NC; Hartford, CT; Helena, MT; Honolulu, HI; Houston, TX; Indianapolis, IN; Jackson,

MS; Jacksonville, FL; Kansas City, KS; Knoxville, TN; Las Vegas, NV; Little Rock, AR; Los Angeles, CA; Louisville, KY; Lubbock, TX; Manchester, NH; Memphis, TN; Miami, FL; Milwaukee, WI; Minneapolis, MN; Nashville, TN; New Orleans, LA; New York, NY; Newark, NJ; Oklahoma City, OK; Omaha, NE; Orlando, FL; Philadelphia, PA; Phoenix, AZ; Pittsburgh, PA; Portland, OR; Providence, RI; Reno, NV; Richmond, VA; Sacramento, CA; St. Louis, MO; Salt Lake City, UT; San Antonio, TX; San Diego, CA; San Francisco, CA; San Juan, PR; Santa Ana, CA; Seattle, WA; Shreveport, LA; Sioux Falls, SD; Spokane, WA; Springfield, IL; Syracuse, NY; Tampa, FL; Tucson, AZ; Tulsa, OK; Washington, DC; and Wilmington, DE.

For further information on the Fund's Information Sessions, dates and locations, or to register online for an Information Session, please visit the Fund's website at [www.treas.gov/cdfi](http://www.treas.gov/cdfi). If you do not have Internet access, you may register by calling the Fund at (202) 622-8662. Catalog of Federal Domestic Assistance: 21.021

**Authority:** 12 U.S.C. 1834a, 4703, 4703 note, 4713; 12 CFR part 1806.

**Tony Brown,**

*Director, Community Development Financial Institutions Fund.*

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## DEPARTMENT OF THE TREASURY

### Community Development Financial Institutions Fund

#### Notice of Funds Availability (NOFA) Inviting Applications for the Community Development Financial Institutions Program—Native American CDFI Technical Assistance (NACTA) Component

**AGENCY:** Community Development Financial Institutions Fund, Department of the Treasury.

**ACTION:** Notice of funds availability (NOFA) inviting applications for the FY 2002 funding round of the NACTA component of the Community Development Financial Institutions Program.

**SUMMARY:** The Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. §§ 4701 *et seq.*) (the "1994 Act") authorizes the Community Development Financial Institutions Fund (the "Fund") of the U.S. Department of the Treasury to select and provide technical assistance ("TA") to eligible applicants under the

Community Development Financial Institutions ("CDFI") Program. Further, the Department of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 2001 (P.L. 106-377) authorizes the Fund to provide TA to promote economic development in Native American and Alaska Native communities by creating new CDFIs or building the capacity of existing CDFIs that serve Native American or Alaska Native communities. This NOFA and the interim rule (12 CFR part 1805), most recently revised and published in the **Federal Register** on August 14, 2000 (65 FR 49642), provide guidance on the contents of necessary application materials, evaluation criteria, and other program requirements. More detailed application content requirements are found in the application packet related to this NOFA. While the Fund encourages applicants to review the interim rule, all of the application content requirements and the evaluation criteria contained in the interim rule are also contained in the application packet.

This NOFA is issued in connection with the NACTA Component of the CDFI Program. The NACTA Component provides TA to three categories of entities that propose to build the capacity of or establish a new CDFI(s) that will serve a Native American or Alaska Native population(s):

(i) *Category 1:* CDFIs That Primarily Serve Native American or Alaska Native Populations: Fund-certified CDFIs or other entities that propose to become Fund-certified CDFIs (i.e., qualified community development lenders, for purposes of this NOFA) that primarily serve Native American or Alaska Native communities;

(ii) *Category 2:* Tribes, Tribal Entities, or Non-Profit Organizations That Primarily Serve Native American or Alaska Native Populations: (a) Tribes, Tribal entities, Alaska Native Villages, Village Corporations, Regional Corporations, Non-Profit Regional Corporations/Associations, or Inter-Tribal or Inter-Village organizations; or (b) non-profit community organizations engaged in related activities, including but not limited to: community development corporations (CDCs), training or educational organizations, Tribally-Controlled Community Colleges, Chambers of Commerce, or Urban Indian Centers that serve primarily a Native American or Alaska Native community; and

(iii) *Category 3:* TA Providers or Other Suitable Providers: (a) TA Providers including firms that provide training or TA in community development finance or that specialize in economic

development in Native American or Alaska Native communities, or (b) other suitable providers, as defined by the Fund, that include, but are not limited to: CDCs, certified CDFIs, organizations with experience and expertise in banking and lending in Native American or Alaska Native communities.

Published elsewhere in this issue of the **Federal Register** are (i) the Fund's NOFA for the combined Core and Intermediary Components of the CDFI Program, through which CDFIs may apply directly to the Fund for Financial Assistance (FA) and/or TA awards; (ii) the Fund's NOFA for the Small and Emerging CDFI Assistance ("SECA") Component of the CDFI Program, through which Small and Emerging CDFIs, as therein defined, may apply directly to the Fund for FA and/or TA awards; and (iii) the Fund's NOFA for the Bank Enterprise Award ("BEA") Program, through which the Fund offers financial incentives to insured depository institutions for the purpose of promoting investments in or other support to CDFIs and facilitating increased lending and provision of financial and other services in economically distressed communities. In addition, the Fund expects to issue, at a later date, a Notice of Allocation Availability ("NOAA") for the New Markets Tax Credit ("NMTC") Program, inviting applications from eligible entities for allocations of tax credits. As set forth in the Fund's Guidance, published in the **Federal Register** on May 1, 2001 at 66 FR 21846, the NMTC Program will provide an incentive to investors in the form of a tax credit over seven years, which is expected to stimulate investment in new private capital that, in turn, will facilitate economic and community development in distressed communities.

An entity that is a NACTA Component Category 1 entity may apply for an award through the Core/Intermediary Component, the SECA Component, and the NACTA Component, but may only receive an award under one of those three Components. An applicant that is a NACTA Component Category 2 or Category 3 entity may apply for an award through the Core/Intermediary Component, the SECA Component, and the NACTA Component and may receive an award under the NACTA Component and either the Core/Intermediary Component or the SECA Component, provided that the respective applications propose and seek funding for different activities. While a NACTA Component Category 1 entity may receive only one award

under the Core/Intermediary Component, the SECA Component, or the NACTA Component, said entity, its subsidiaries or Affiliates also may apply for and receive a tax credit allocation through the NMTC Program and an award through the Core/Intermediary Component, the SECA Component, or the NACTA Component.

Subject to funding availability, the Fund expects that it may award up to \$43.5 million in appropriated funds under this NACTA Component NOFA. The Fund reserves the right to award in excess of \$3.5 million in appropriated funds under this NOFA provided that the funds are available and the Fund deems it appropriate. The Fund reserves the right to fund, in whole or in part any, all or none of the applications submitted in response to this NOFA.

**DATES:** Applications may be submitted at any time, commencing September 24, 2001. The deadline for an application is 5 p.m. EST on January 24, 2002. Applications received in the specific Bureau of the Public Debt—Franchise Services (BPD) office designated below after that date and time will be rejected and returned to the sender, except as follows. An application mailed via United States Postal Service will be considered as having met the application deadline if it is clearly postmarked on or before midnight January 23, 2002. An application sent by overnight/express delivery will be considered as having met the application deadline if it is placed in transit with an overnight/express delivery service by no later than January 23, 2002. An application that is hand-carried will be considered as having met the application deadline if it is received in the specific BPD office designated below by 5 p.m. EST on January 24, 2002. In each case, it is advisable to obtain documentation from the carrier showing the date and time the application was placed in transit or hand-delivered, as the case may be. A single, clear date and time stamp will help in determining whether the delivery of an application has met the deadline requirements set forth above. Applications sent by facsimile will not be accepted; applications sent electronically or by e-mail will be accepted only as set forth below.

*Demonstration Project: Electronic Submission of Applications:* For purposes of this NOFA only, applicants are invited to participate in a pilot demonstration project to test the efficiency and efficacy of the Fund's new electronic application form. For this demonstration project, a limited number of applicants will be asked to

complete and submit both a paper and an electronic application, in the formats prescribed by the Fund. If your organization is interested in learning more about this demonstration project, please (i) visit [www.treas.gov/cdfi](http://www.treas.gov/cdfi) for more information and (ii) email the Fund at [cdfihelp@cdfi.treas.gov](mailto:cdfihelp@cdfi.treas.gov) (with the subject line: "electronic application") within 30 days of this NOFA to submit your organization's name (and point of contact) as a prospective demonstration project participant, whereupon the Fund will contact you to inform you whether your organization has been selected to participate in the demonstration project. Participation in the demonstration project is in no way indicative of the likelihood of an applicant's success in being selected for an award under this NOFA. The Fund will accept electronic submission of applications only as described in this Section.

**ADDRESSES:** Applications shall be sent to: CDFI Fund Awards Manager, Bureau of Public Debt—Franchising, 200 Third Street, Room 211, Parkersburg, WV 26101. Applications will not be accepted at the Fund's offices.

**FOR FURTHER INFORMATION CONTACT:** If you have any questions about the programmatic requirements for this program, contact the Fund's NACTA Component Program Manager. If you wish to request an application package or if you have questions regarding application procedures, contact the Fund's Awards Manager. The NACTA Component Program Manager and the Awards Manager may be reached by e-mail at [cdfihelp@cdfi.treas.gov](mailto:cdfihelp@cdfi.treas.gov) by telephone at (202) 622-8662, by facsimile at (202) 622-7754, or by mail at CDFI Fund, 601 13th Street, NW., Suite 200 South, Washington, DC 20005. These are not toll free numbers. Allow at least one to two weeks from the date the Fund receives a request for receipt of the application package. Applications and other information regarding the Fund and its programs may be downloaded from the Fund's web site at [www.treas.gov/cdfi](http://www.treas.gov/cdfi).

#### **SUPPLEMENTARY INFORMATION:**

##### **I. Background**

Credit and investment capital are essential ingredients for developing affordable housing, starting or expanding businesses, meeting unmet market needs, and stimulating economic growth. Access to financial services is critical to help bring more Americans into the economic mainstream. The CDFI Program funds and supports financial institutions around the country that are specifically dedicated

to financing and supporting community development activities. This strategy builds strong institutions that make loans and investments and provide services to markets (including economically distressed investment areas and disadvantaged targeted populations) whose needs for loans, investments, and financial services have not been met by traditional financial institutions.

Pursuant to the Act, the Fund has completed the research for the Native American Lending Study ("the Study"), which identifies significant barriers to lending and investment in Native American and Alaska Native communities and strategies for overcoming those barriers. One of the barriers identified by the Study is the small number of CDFIs and other financial institutions in Native American and Alaska Native communities. Since CDFIs are an important tool for developing self-sustaining economies in many underserved communities, the Fund, through the NACTA Component, seeks to assist Native American and Alaska Native communities to create and develop a network of CDFIs that will promote economic development in such communities.

This NOFA covers the Fiscal Year 2002 round of the NACTA Component of the CDFI Program and invites eligible entities to submit applications for TA for the purpose of promoting economic development activities in Native American and Alaska Native communities.

Under this NOFA, the Fund anticipates making a TA award of up to \$100,000 to any one applicant. However, the Fund, in its sole discretion, reserves the right to award amounts in excess of this amount if the Fund deems it appropriate.

Previous awardees under the CDFI Program are eligible to apply under this NOFA, but such applicants must be aware that success in a previous round should not be considered indicative of success under this NOFA. In addition, organizations will not be penalized for having received awards in previous funding rounds, except to the extent that: (i) The Fund is generally prohibited from obligating more than \$5 million in assistance, in the aggregate, to any one organization and its Subsidiaries and Affiliates during a three-year period (further guidance on the calculation of the \$5 million cap is available on the Fund's website at <http://www.treas.gov/cdfi>); or (ii) an applicant that is a previous Fund awardee under any other Fund program or component of the CDFI Program has failed to meet

its reporting requirements, performance goals, financial soundness covenants (if applicable) and/or other requirements contained in the previously executed assistance or award agreement(s). Moreover, the Fund may, in its sole discretion, withhold or suspend making disbursements to an applicant, selected to receive an award under this NOFA, that either is a previous Fund awardee or whose Affiliate(s) is a previous Fund awardee under any other Fund program or component of the CDFI Program, if the applicant or its Affiliate(s) has failed to comply with any term, agreement, covenant or condition contained in or referenced in any previous Fund assistance or award agreement. The Fund will generally commence or resume making disbursements to such applicant upon the applicant's or its Affiliate's subsequent compliance.

## II. Eligibility

At the time an entity submits its application under this NOFA, the entity must be a duly organized and validly existing legal entity under the laws of the jurisdiction in which it is incorporated or otherwise established. There are three categories of eligible applicants under this NOFA. Eligible entities include:

(i) *Category 1: CDFIs That Primarily Serve Native American or Alaska Native Populations:* Fund-certified CDFIs or other entities that propose to become Fund-certified CDFIs (i.e., qualified community development lenders, for purposes of this NOFA) by January 24, 2004, that primarily serve Native American or Alaska Native communities;

(ii) *Category 2: Tribes, Tribal Entities, Or Non-Profit Organizations That Primarily Serve Native American or Alaska Native Populations:* Generally, applicants in Category 2 are accountable to a specific Tribe or group of Tribes, Alaska Native Village or group of Villages, or Native American or Alaska Native population that resides in a specific geographic region such as a city, county, state, or states, such as: (a) Tribes, Tribal entities, Alaska Native Villages (also known as Village Governments), Village Corporations, Regional Corporations, Non-Profit Regional Corporations/Associations, or Inter-Tribal or Inter-Village organizations; or (b) non-profit community organizations engaged in related activities, including but not limited to: community development corporations (CDCs), training and educational organizations, Tribally-Controlled Community Colleges, Chambers of Commerce, or Urban Indian Centers that have a mission and

practice of serving primarily a Native American or Alaska Native community (applicants in this category must establish entities that will become Fund-certified CDFIs by January 24, 2005); or

(iii) *Category 3: TA Providers or Other Suitable Providers:* (a) TA Providers, including firms that provide training or TA in community development finance or that specialize in economic development in Native American or Alaska Native communities, or (b) other suitable providers, as defined by the Fund, that include, but are not limited to: CDCs, certified CDFIs, organizations with experience and expertise in banking and lending in Native American or Alaska Native communities (applicants in this category must establish entities that will become Fund-certified CDFIs by January 24, 2005). Applicants applying under Category 3 must have a NACTA Eligible Partner. Generally, entities that are not accountable to a specific Tribe or group of Tribes, Alaska Native Village or group of Villages, or Native American or Alaska Native population that resides in a specific geographic region such as a city, county, state, or states, even though they may be owned or managed by an individual or group of individuals who are of Native American or Alaska Native ancestry, will be considered to be a Category 3 applicant. For example, a consulting firm owned by and serving Native Americans, or a Non-Native CDFI, will be considered a Category 3 applicant and will need a NACTA Eligible Partner. The Fund, in its sole discretion, reserves the right to waive this requirement.

For the purposes of this NOFA, to be certified as a CDFI by the Fund, an applicant, individually and collectively with its affiliates, must have a primary mission of promoting community development. In addition, the applicant must: be an insured depository institution, a depository institution holding company or an insured credit union; or if not a regulated financial institution, provide loans or equity investments as its predominant business activity; serve an eligible Target Market, which may consist of an Investment Area(s) or a targeted population; provide development services; maintain community accountability; and not be controlled by an instrumentality or division of the United States Government. If an applicant is a depository institution holding company or an affiliate of a depository institution holding company, the applicant individually and collectively with its affiliates, must meet all of the aforementioned requirements.

NACTA Component applicants, including CDFIs, that do not serve primarily a Native American or Alaska Native population must identify a NACTA Eligible Partner(s) that serves primarily a Native American or Alaska Native population and that the applicant will work with to establish a CDFI in the NACTA Eligible Partner's community or service area that will serve primarily a Native American or Alaska Native population.

For purposes of this NOFA, the Fund will use the following definition, set forth in the Office of Management and Budget (OMB) Notice, Revisions to the Standards for the Classification of Federal Data on Race and Ethnicity (October 30, 1997): American Indian, Native American or Alaska Native means a person having origins in any of the original peoples of North and South America (including Central America) and who maintains tribal affiliation or community attachment.

Further details regarding eligibility and other program requirements are found in the application packet related to this NOFA.

For purposes of determining whether or not the applicant is serving an eligible Investment Area, the Fund will continue to use 1990 Census data, as 2000 Census data will not be available in sufficient detail for use under this NOFA.

## III. Types of Assistance

An applicant under this NOFA may submit an application for a TA grant. Applicants for TA under this NOFA shall describe the type(s) of TA requested, when the TA will be acquired, the provider(s) of the TA, the cost of the TA, and a narrative explanation of how the TA will enhance their community development impact. The role of NACTA Eligible Partner, if applicable, must also be described.

## IV. Application Packet

An applicant under this NOFA must submit the materials described in the application form.

## V. Evaluation

Applications received will be reviewed for eligibility and completeness. If determined to be eligible and complete, applications will be evaluated by the Fund on a competitive basis in accordance with the criteria described in this NOFA. In conducting its substantive review, the Fund will evaluate applications according to the criteria, and use the procedure described, in this NOFA. In conducting its substantive review, the Fund will evaluate each application and

assign numeric scores related to the applicant's Comprehensive CDFI Development Plan.

#### Phase One

In Phase One of the substantive review, each Fund reader will evaluate applications on a 100-point scale, using the following criteria and allocation of points:

(1) *Comprehensive CDFI Development Plan*: 60 points maximum; with a minimum score of 30 points required to advance to Phase Two review. The score for the CDFI Development Plan is based on a composite assessment of an applicant's strength and weaknesses under several sub-criteria. The number and scoring of the sub-criteria will be different for each of the applicant categories described under Eligibility (above), as follows:

(i) *Category 1: CDFIs that Primarily Serve Native American or Alaska Native Populations*: Scoring of the sub-criteria is weighted to reflect whether the applicant is a start-up organization or an established organization. The Fund defines a start-up organization as an entity that has been in operation three years or less, as of the date of this NOFA (meaning, for purposes of this NOFA, having incurred initial operating expenses on or after September 24, 1998). The sub-criteria are:

(a) Community development track record (established organizations only): 10 point maximum;

(b) Financial track record or condition (established organizations only): 10 point maximum;

(c) Capacity, skills and experience of the management team: 10-point maximum (established organizations); and 30 point maximum (start-ups);

(d) Market analysis, program implementation, and impact: Projected activities and community development impact (the plan to establish or strengthen a CDFI and how that entity will have a positive impact in the community that it [will] serves): 30 point maximum.

(ii) *Category 2: Tribes, Tribal Entities, or Non-Profit Organizations that Primarily Serve Native American or Alaska Native Populations*:

(a) Community development track record—economic development, community development, and training (such as financial literacy, small business finance, homebuyer education): 10 point maximum for Tribal and Village Governments; 5 point maximum for all other applicants in this category;

(b) Financial track record—of lending operations, if applicable, and financial condition of the applicant: 5 point

maximum (although Tribal and Village Governments will not be scored under this sub-criteria, if they have a housing or business lending operation, they must submit the information requested for that operation only, which will be considered during Phase Two of the Fund's review process);

(c) Capacity, skills and experience of the management team (i.e., the individuals that will be developing the CDFI being established relevant to this application): 20 point maximum;

(d) Market analysis, program implementation, and impact: Projected activities and community development impact (the plan to establish or strengthen a CDFI and how that entity will have a positive impact in the community that it [will] serves): 30 point maximum.

(iii) *Category 3: TA Providers or Other Suitable Providers*:

(a) Community development track record "experience and track record of financing activities, building capacity of a CDFI or other community development organization, or training and technical assistance activities, including program design, program evaluation, and staff or institutional skill-building in general and in Native American and Alaska Native communities; 10 point maximum total (5 points for general track record; 5 points for track record in Native American or Alaska Native communities);

(b) Financial condition of applicant; 5 point maximum;

(c) Capacity, skills and experience of the management team (i.e., consulting team and the NACTA Eligible Partner): 15 point maximum;

(d) Market analysis, program implementation and impact: Projected activities and community development impact (the plan to establish or strengthen a CDFI and how that entity will have a positive impact in the community that it [will] serves): 30 point maximum.

In the case of an applicant that has previously received an award from the Fund, the Fund will consider the applicant's level of success in meeting its performance goals, financial soundness covenants (if applicable), and other requirements contained in its existing assistance or award agreement(s) with the Fund, and the benefits that will be created with new Fund assistance over and above benefits created by previous Fund assistance.

(2) *Technical Assistance Proposal (TAP)*: 40 point maximum; with a minimum score of 20 points required to advance to Phase Two review. The TAP provides the applicant with an

opportunity to address the organizational improvements needed to strengthen or establish a CDFI that will serve a Native American or Alaska Native population as defined in the plan above. Such assessment is accompanied by an itemized budget with written justification for each item. In the TAP, the applicant should describe: (i) the entity that will be the beneficiary of the TA requested (the applicant, the partner, or the entity to be formed) and (ii) how this assistance will translate to community development impact, particularly within the Target Market; and (iii) why NACTA resources are needed to carry out this plan. The budget, budget justification and accompanying narrative will be evaluated for the eligibility of proposed uses of the TA funds. Eligible types of TA award uses will be different for each of the groups of eligible applicants as follows:

(i) *Category 1: CDFIs that Primarily Serve Native American or Alaska Native Populations*:

(a) Acquiring consulting services;

(b) Paying staff salary connected with the limited purposes of completing tasks and/or fulfilling functions that are otherwise eligible TA award uses under this NOFA;

(c) Acquiring training for staff, management, or board members; and

(d) Acquiring/enhancing technology items, for the purposes of building internal capacity to increase community development impact.

(ii) *Category 2: Tribes, Tribal Entities, or Non-Profit Organizations that Primarily Serve Native American or Alaska Native Populations*:

(a) Acquiring consulting services and

(b) Acquiring training for staff, management, or board members.

(iii) *TA Providers or Other Suitable Providers*:

(a) Acquiring consulting services, and

(b) Paying staff salary connected with the limited purposes of completing tasks and/or fulfilling functions that are otherwise eligible TA award uses under this NOFA (i.e., to provide consulting services to establish a CDFI that will serve a Native American or Alaska Native population).

The Fund will not consider requests under this NOFA for expenses that, in the determination of the Fund, are deemed to be ongoing operating expenses rather than non-recurring expenses (for example, the cost of designing a marketing plan for a loan product through a consulting contract is a non-recurring expense, but the cost of producing or distributing printed marketing materials is an ongoing expense; generally, except as described

below, salary expenses for staff are ongoing, but the cost of a consulting contract for a discrete scope of services is a non-recurring expense).

TA funds may be used to engage consultants to perform tasks related to implementing the proposed Comprehensive CDFI Development Plan or TAP, such as: development of plans and strategies (for example: market analysis; financial product development plan; financial product marketing plan; or capitalization strategy identifying financial objectives); development of lending policies and procedures; and other tasks related to the development or strengthening of a CDFI.

The Fund will consider requests for use of TA to cover staff salary only when the applicant demonstrates and represents that: the proposed staff time to be covered by the TA will be used for, generally speaking, a non-recurring activity that will build the capacity of the applicant (for Category 1 applicants) or the proposed entity (for Category 2 applicants) to achieve its objectives of the CDFI Development Plan and Technical Assistance Proposal; and the staff person assigned to the proposed task has the competence to successfully complete the activity.

Applicants in eligibility Category 1 (meaning, current or start-up CDFIs that propose to build their own capacity) must show that the proposed capacity building activity would otherwise be contracted to a consultant or not be undertaken and the staff time devoted to this capacity-building activity would not otherwise harm other operations. Additionally, TA may only be used to cover that portion of a staff person(s) salary that represents the time that staff person(s) spends on the identified capacity-building activities, but not to exceed the equivalent of 50 percent of said employee's annual salary within one year; staff salary use of TA may be spread over a period of up to 24 months. For example, it may be an eligible use of a TA grant to pay the salary of staff assigned the task of creating or updating a market analysis or designing underwriting criteria for a new loan or investment product when that market analysis or loan product is critical to achieving the objectives of the Comprehensive CDFI Development Plan and Technical Assistance Proposal. NACTA award funds may not be used to cover employee fringe benefits, space allocation, or administrative overhead.

Applicants in eligibility Category 3 (meaning, TA providers and other suitable providers that propose to start a CDFI) may request TA for staff salary to implement a reasonable scope of work at rates that are consistent with the

provider's previous market experience or rates of pay.

NACTA Component funds may not be used to assist an awardee to prepare an application for funding to the Fund or any other source.

#### *Phase Two*

Once the initial evaluation is completed, the Fund will determine which applications will receive further consideration for funding based on the recommendations and scores (standardized if deemed appropriate) received during Phase one review and the amount of funds available. Applicants that advance to Phase Two may receive a site visit and/or telephone interview(s) conducted by a Fund reviewer for the purpose of obtaining clarifying or confirming information. At this point in the process, applicants may be required to submit additional clarifying information about their application in order to assist the Fund with its final evaluation. After conducting such site visit and/or telephone interview(s), Fund reviewers will evaluate applications based on all the elements outlined in the application, and prepare recommendation memoranda containing the type, uses and amount of assistance, if any, that should be provided to each applicant.

The Fund reserves the right, in its sole discretion, to use a review panel comprised of Fund staff to consider each Fund reviewer's recommendation memorandum and make a final recommendation to the Fund's selecting official. The Fund's selecting official will consider the panel's recommendation, if applicable, and the reviewer's recommendation memorandum in order to make the final funding decision. In making the funding decision, the Fund's selecting official also may consider the institutional diversity and geographic diversity of applicants (e.g., selecting a CDFI from a state in which the Fund has not previously made an award over a CDFI in a state in which the Fund has already made several awards).

The Fund's selecting official will make a final funding determination based on the applicant's file, including, without limitation, recommendations of the Phase One and Phase Two reviewers recommendations and the panel's recommendations, if applicable, the amount of funds available, and, for prior awardees, the status of its compliance and award disbursements to date. In the case of regulated CDFIs, the selecting official will also take into consideration the views of the appropriate Federal banking agencies. In the case of

recommendations for TA awards over \$100,000, the Fund will seek to ensure that there is a likelihood of significant community development impact resulting from such awards. The Fund's selecting official reserves the right to reject any application in the case of a previous Fund awardee that has failed to comply with the terms and conditions of its previous assistance or award agreement(s).

The Fund reserves the right to change these evaluation procedures if the Fund deems it appropriate.

#### **VI. Information Sessions**

In connection with the Fiscal Year 2002 funding rounds of its programs, the Fund will conduct In-Person Information Sessions to disseminate information to organizations contemplating applying to, and other organizations interested in learning about, the Core, Intermediary, SECA and NACTA Components of the CDFI Program, and the BEA Program. Registration is required, as the In-Person Information Sessions will be held in secured federal facilities. The Fund anticipates conducting up to 17 In-Person Information Sessions, through October 31, 2001, in the following cities: Anchorage, AK; Boston, MA; Chicago, IL; Dallas, TX; Denver, CO; Honolulu, HI; Los Angeles, CA; Memphis, TN; Miami, FL; Minneapolis, MN; Philadelphia, PA; Seattle, WA; and Washington, DC.

In addition to the In-Person Information Sessions listed above, the Fund will broadcast a Televideo Information Session, using interactive video-teleconferencing technology, on November 8, 2001 (tentative date), 1:00 p.m. to 4:00 p.m. EST. Registration is required, as the Televideo Information Session will be held in secured federal facilities. The Televideo Information Session will be produced in Washington, DC, and will be downlinked via satellite to the local Department of Housing and Urban Development (HUD) offices located in the following 81 cities: Albany, NY; Albuquerque, NM; Anchorage, AK; Atlanta, GA; Baltimore, MD; Bangor, ME; Birmingham, AL; Boise, ID; Boston, MA; Buffalo, NY; Burlington, VT; Camden, NJ; Casper, WY; Charleston, WV; Chicago, IL; Cincinnati, OH; Cleveland, OH; Columbia, SC; Columbus, OH; Dallas, TX; Denver, CO; Des Moines, IA; Detroit, MI; Fargo, ND; Flint, MI; Fort Worth, TX; Fresno, CA; Grand Rapids, MI; Greensboro, NC; Hartford, CT; Helena, MT; Honolulu, HI; Houston, TX; Indianapolis, IN; Jackson, MS; Jacksonville, FL; Kansas City, KS; Knoxville, TN; Las Vegas, NV; Little



Rock, AR; Los Angeles, CA; Louisville, KY; Lubbock, TX; Manchester, NH; Memphis, TN; Miami, FL; Milwaukee, WI; Minneapolis, MN; Nashville, TN; New Orleans, LA; New York, NY; Newark, NJ; Oklahoma City, OK; Omaha, NE; Orlando, FL; Philadelphia, PA; Phoenix, AZ; Pittsburgh, PA; Portland, OR; Providence, RI; Reno, NV; Richmond, VA; Sacramento, CA; St. Louis, MO; Salt Lake City, UT; San Antonio, TX; San Diego, CA; San Francisco, CA; San Juan, PR; Santa Ana, CA; Seattle, WA; Shreveport, LA; Sioux Falls, SD; Spokane, WA; Springfield, IL; Syracuse, NY; Tampa, FL; Tucson, AZ; Tulsa, OK; Washington, DC; and Wilmington, DE.

For further information on the Fund's Information Sessions, dates and locations, or to register online for an Information Session, please visit the Fund's website at [www.treas.gov/cdfi](http://www.treas.gov/cdfi). If you do not have Internet access, you may register by calling the Fund at (202) 622-8662.

Catalog of Federal Domestic Assistance: 21.021.

**Authority:** 12 U.S.C. 1834a, 4703, 4703 note, 4713; P.L. 106-377; 12 CFR part 1806.

**Tony Brown,**

*Director, Community Development Financial Institutions Fund.*

[FR Doc. 01-23671 Filed 9-21-01; 8:45 am]

**BILLING CODE 4810-70-P**

## DEPARTMENT OF THE TREASURY

### Community Development Financial Institutions Fund

#### Notice of Funds Availability (NOFA) Inviting Applications for the Bank Enterprise Award Program

**AGENCY:** Community Development Financial Institutions Fund, Department of the Treasury.

**ACTION:** Notice of funds availability (NOFA) inviting applications for the FY 2002 funding round of the Bank Enterprise Award Program.

**SUMMARY:** The Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4701 *et seq.*) authorizes the Community Development Financial Institutions Fund (hereafter referred to as "the Fund") to provide incentives, through the Bank Enterprise Award ("BEA") Program, to Insured Depository Institutions for the purposes of promoting investments in or other support to Community Development Financial Institutions ("CDFIs") and facilitating increased lending and provision of financial and other services in economically distressed

communities. Insured depository institutions and CDFIs are defined terms in 12 CFR part 1805 and part 1806, the regulations that govern the CDFI Program (the "CDFI Program Regulations") and the BEA Program (the "BEA Program Regulations"), respectively.

This NOFA is issued in connection with the Fiscal Year 2002 funding round of the BEA Program. Subject to funding availability, the Fund expects that it may award approximately \$16.5 million in appropriated funds under this BEA Program NOFA. The Fund reserves the right to award in excess of \$16.5 million in appropriated funds under this NOFA provided that the funds are available and the Fund deems it appropriate. Under this NOFA, the Fund anticipates a maximum award amount of \$2.0 million per applicant. The Fund reserves the right to fund, in whole or in part, any, all, or none of the applications submitted in response to this NOFA and the right to award amounts in excess of the anticipated maximum award amount, if the Fund deems it appropriate.

Published elsewhere in this issue of the **Federal Register** are (i) The Fund's NOFA for the combined Core and Intermediary Components of the CDFI Program, through which CDFIs may apply directly to the Fund for financial assistance and/or technical assistance awards, (ii) the Fund's NOFA for the Small and Emerging CDFI Assistance ("SECA") Component of the CDFI Program, through which CDFIs may apply directly to the Fund for technical assistance awards and Small and Emerging CDFIs, as defined therein, may apply directly to the Fund for financial assistance and technical assistance awards, and (iii) the Fund's NOFA for the Native American CDFI Technical Assistance ("NACTA") Component of the CDFI Program, through which organizations that serve or wish to serve Native American communities through the provision of loans, investments and financial services, may apply directly to the Fund for TA awards. In addition, the Fund expects to issue, at a later date, a Notice of Allocation Availability ("NOAA") for the New Markets Tax Credit ("NMTC") Program, inviting applications from eligible entities for allocations of tax credits. As set forth in the Fund's Guidance, published in the **Federal Register** on May 1, 2001 at 66 FR 21846, the NMTC Program will provide an incentive to investors in the form of a tax credit over seven years, which is expected to stimulate investment in new private capital that, in turn, will

facilitate economic and community development in distressed communities.

**DATES:** The BEA Program has a two-part application. For the FY 2002 funding round, Part One (the "Initial Application") may be submitted at any time, commencing September 24, 2001. The deadline for the Initial Application is 5:00 p.m. EST on November 13, 2001. Initial Applications received in the specific Bureau of the Public Debt—Franchise Services (BPD) office designated below after that date and time will be rejected and returned to the sender, except as follows. An Initial Application mailed via United States Postal Service will be considered as having met the deadline if it is clearly postmarked on or before midnight November 12, 2001. An Initial Application sent by overnight/express delivery will be considered as having met the deadline if it is placed in transit with an overnight/express delivery service by no later than November 12, 2001. An Initial Application that is hand-carried will be considered as having met the deadline if it is received in the specific BPD office designated below by 5:00 pm EST on November 13, 2001.

The deadline for Part Two of the Application (the "Final Report") is 5:00 p.m. EST on August 1, 2002. Final Reports received in the specific BPD office designated below after that date and time will be rejected and returned to the sender, except as follows. A Final Report mailed via United States Postal Service will be considered as having met the deadline if it is clearly postmarked on or before midnight July 31, 2002. A Final Report sent by overnight/express delivery will be considered as having met the deadline if it is placed in transit with an overnight/express delivery service by no later than July 31, 2002. A Final Report that is hand-carried will be considered as having met the deadline if it is received in the specific BPD office designated below by 5:00 pm EST on August 1, 2002.

In each case, it is advisable to obtain documentation from the carrier showing the date and time the Initial Application or the Final Report was placed in transit or hand-delivered, as the case may be. A single, clear date and time stamp will help in determining whether the delivery of an Initial Application or a Final Report has met the applicable deadline requirements set forth above.

Initial Applications or Final Reports sent by facsimile will not be accepted. Final Reports (but not Initial Applications) may be submitted



electronically through the Fund's website at [www.treas.gov/cdfi](http://www.treas.gov/cdfi).

Any entity seeking certification as a CDFI (as described in 12 CFR 1805.200) for the purpose of the BEA Program (either as an Applicant or a CDFI Partner) is strongly encouraged to submit the Application Form for Certification (the contents of which are described in 12 CFR 1805.201(b)(1) through (7)), by Tuesday, November 20, 2001. If an entity fails to submit such application by this deadline, the Fund may not have sufficient time to timely complete a certification review for the purpose of the current funding round of the BEA Program. With respect to all requests for certification, the Fund reserves the right to request clarifying or technical information after reviewing materials submitted as described in 12 CFR 1805.201(b)(1) through (7). If the entity seeking certification does not respond to such requests in a timely manner, the Fund may not have sufficient time to complete a certification review for the purposes of the current funding round of the BEA Program.

**ADDRESSES:** Both the Initial Application and the Final Report shall be sent to: CDFI Fund Awards Manager, Bureau of Public Debt—Franchising, 200 Third Street, Room 211, Parkersburg, WV 26101. Initial Applications and Final Reports will not be accepted in the Fund's offices.

**FOR FURTHER INFORMATION CONTACT:** If you have any questions about the programmatic requirements of the BEA Program, contact the BEA Program Manager. Should you wish to request an application package or have questions regarding application procedures, contact the Awards Manager. The BEA Program Manager and the Awards Manager may be reached by e-mail at [cdfihelp@cdfi.treas.gov](mailto:cdfihelp@cdfi.treas.gov), by telephone at (202) 622-8662, by facsimile at (202) 622-7754, or by mail at CDFI Fund, 601 13th Street, NW., Suite 200 South, Washington, DC 20005. These are not toll free numbers. Allow at least one to two weeks from the date the Fund receives a request for receipt of the application package. Applications and other information regarding the Fund and its programs may be downloaded from the Fund's web site at <http://www.treas.gov/cdfi>.

#### **SUPPLEMENTARY INFORMATION:**

##### **I. Background**

As part of a national strategy to facilitate revitalization and increase the availability of credit, investment capital and financial services in distressed communities, the Community

Development Banking and Financial Institutions Act of 1994 ("Act") authorizes a portion of funds appropriated to the Fund to be made available for distribution through the BEA Program. The BEA Program is largely based on the Bank Enterprise Act of 1991, although Congress significantly amended the program to facilitate greater coordination with other activities of the Fund. The BEA Program and the CDFI Program are complementary initiatives that support a wide range of community development activities and facilitate partnerships between traditional lenders and CDFIs. This NOFA invites applications from Insured Depository Institutions for the purpose of promoting community development activities and revitalization.

##### **II. Eligibility**

The Act specifies that eligible Applicants for the BEA Program must be Insured Depository Institutions, as defined in 12 U.S.C. 1813(c)(2). An Applicant must be FDIC-insured by the deadline for submission of the Initial Application (i.e., November 13, 2001) to be eligible for consideration for a BEA Program award under this NOFA.

##### **III. Designation of Distressed Community**

In accordance with 12 CFR 1806.200(d), in the case of Applicants carrying out Qualified Activities requiring the designation of a Distressed Community (as said terms are defined in 12 CFR 1806.103(r)), the Fund will provide Applicants with data and other information to help identify areas that are eligible to be designated as Distressed Communities. Specifically, the Fund will provide such information through the CDFI Fund Help Desk website (the "Help Desk"). The Help Desk is found at [www.treas.gov/cdfi](http://www.treas.gov/cdfi). The Fund requires all Applicants to use the Help Desk to produce the Distressed Community worksheets and corresponding maps. The Help Desk provides step-by-step instructions on how to designate a Distressed Community and allows an Applicant to create and print instantly a Distressed Community designation worksheet(s) and corresponding map(s). For purposes of determining whether an Applicant is serving an eligible Distressed Community, the Fund will continue to use 1990 Census data, as 2000 Census data will not be available in sufficient detail for use under this NOFA.

##### **IV. Designation Factors**

The BEA Program Regulations describe the Fund's processes for rating

and selecting Applicants to receive assistance and for determining award amounts. Award amounts will be calculated by the Fund based on increases in Qualified Activities that occur during a 6-month Assessment Period in excess of activities that occurred during a 6-month Baseline Period. In general, award amount for Applicants making Equity Investments in CDFIs will be equal to 15 percent of the increase in such activities. An Applicant may choose to accept less than the maximum amount of 15 percent (but no less than 12 percent) in order to increase the ranking of its Application within the Equity Investment category. Award amounts for CDFI Applicants carrying out CDFI Support Activities will be equal to 33 percent of the increase in such activities. Award amounts for non-CDFI Applicants for carrying out CDFI Support Activities will be equal to 11 percent of the increase in such activities.

For Applicants pursuing Development and Service Activities, a multiple step procedure is outlined in the BEA Program Regulations that will be used to calculate the estimated award amounts. In general, if an Applicant is a CDFI, such estimated award amount will be equal to 15 percent of the total score calculated in the multiple step procedure. If an Applicant is not a CDFI, such estimated award amount will be equal to 5 percent of the total score calculated in the multiple step procedure.

If the amount of funds available during a funding round is insufficient for all estimated award amounts, awardees will be selected based on the process described at 12 CFR 1806.204. This process gives priority to Applicants in the following order: (1) Equity Investments in CDFIs serving Distressed Communities; (2) Equity Investments in CDFIs not serving Distressed Communities; (3) CDFI Support Activities; and (4) Development and Service Activities (as defined in 12 CFR 1806.103). Beginning with this NOFA, in addition to ranking Applicants within the Development and Service Activity category by the ratio of the total score to the asset size of the Applicant, the Fund will give Applicants that are certified CDFIs first priority within the Development and Service Activity category.

The Fund, in its sole discretion: (1) May adjust the estimated award amount that an Applicant may receive; (2) may establish a maximum amount that may be awarded to an Applicant; and (3) reserves the right to limit the amount of

an award to any Applicant if the Fund deems it appropriate.

#### **V. Baseline Period and Assessment Period Dates**

As part of its Initial Application, an Applicant shall report the Qualified Activities that it actually carried out during the 6-month Baseline Period beginning January 1, 2001 and ending June 30, 2001. An Applicant shall also project the Qualified Activities that it expects to carry out during the 6-month Assessment Period beginning January 1, 2002 and ending June 30, 2002. Applicants participating in the BEA Program must submit to the Fund a Final Report (Part II of the Application) of Qualified Activities actually carried out during the Assessment Period. The Fund will evaluate the performance of Applicants in carrying out projected activities to determine actual award amounts. The Fund may request clarifying or technical information after receiving an Applicant's Final Report.

#### **VI. Compliance With Other CDFI Fund Awards**

In the event that an FY 2002 BEA Program Awardee or its subsidiary or affiliate is not in compliance with the terms and conditions of any other award under any component of the CDFI Program, the Fund may, in its sole discretion, withhold disbursement (either initial or subsequent) on the FY 2002 BEA Program award. Moreover, noncompliance with any other award shall be considered an event of default under the FY 2002 BEA Program award. This policy will take effect with regard to compliance issues arising in calendar year 2002.

#### **VII. Certification Status**

For purposes of determining BEA Program awards, the BEA Program Regulations define a CDFI as "an entity whose certification under § 1805.201 of this chapter is in effect as of the end of the applicable Assessment Period \* \* \* 12 CFR 1806.103(m).

Accordingly, in order for a BEA Program Applicant to receive credit for CDFI Related Activities, the CDFI partner(s) that receives financial or technical assistance must be certified as a CDFI by the Fund as of the end of the Assessment Period for the particular BEA Program funding round. Moreover, the CDFI partner's certification must not have lapsed (i.e., expired without the prior submission to the Fund of a recertification Application). If a BEA Program Applicant provides assistance to an organization that is not certified as a CDFI as of the end of the Assessment Period, then the transaction shall not be

considered assistance to a CDFI and shall not be a Qualified Activity. Such activity would not be eligible to count toward a BEA Program award.

If the BEA Program Applicant is considering providing assistance to an organization that the Fund has not yet certified, the activity will qualify—provided the organization is certified by the Fund by the end of the Assessment Period. However, Applicants should be advised that the Fund cannot guarantee certification before the end of the Assessment Period of those organizations that have submitted certification Applications after the Initial Application Due date (November 13, 2001 for the FY 2002 funding round).

If the CDFI partner submits its recertification Application by no later than the certification expiration date evidencing that it can be recertified, then the Fund will deem the CDFI's certification to be continued on an interim basis until the Fund makes its final determination. In the interim, any assistance by a BEA Program Applicant to a CDFI that submitted a recertification Application by its expiration date would be considered a CDFI Qualified Activity (provided the activity meets all other applicable requirements).

If an Applicant is itself seeking certification as a CDFI, then it must be certified as a CDFI by the Fund as of the end of the Assessment Period for the particular BEA Program funding round in order to be eligible for the higher award percentage and ranking priority afforded CDFIs. If an Applicant is not certified as a CDFI by the end of the applicable Assessment Period, then it shall not be treated as a CDFI for purposes of determining award amounts. In addition, if the Applicant's certification is due to expire on or before the end of the Assessment Period (June 30, 2002 for the FY 2002 fund round of the BEA Program Round)—and allows its certification to lapse—the Applicant will not be treated as a CDFI for purposes of determining award amounts and ranking. If the CDFI Applicant submits a recertification Application evidencing that it can be recertified—by no later than the certification expiration date—then the Fund will deem the CDFI Applicant's certification to be continued on an interim basis until the Fund makes its final determination. A CDFI that submitted a recertification Application by its expiration date would be treated as a CDFI for purposes of calculating an award amounts and ranking.

Information on the certification status and certification expiration date of each

CDFI can be found on the Fund's list of certified CDFIs, which may be obtained on the Fund's website: [www.treas.gov/cdfi](http://www.treas.gov/cdfi).

#### **VIII. Loan Participations**

On January 31, 2001, the Fund issued policy guidance clarifying the types of transactions it will consider to be eligible Participation Loans for the purpose of calculating BEA Program awards. Specifically, the guidance stated that a Participation Loan may qualify as either a CDFI Support Activity or a Development Activity like any other loan under the BEA Program. In order for a participation loan to be considered a CDFI Support Activity, the borrower must be a CDFI, and the monies drawn must be used to support the CDFI's activities. In order for a participation loan to be considered a Development Activity, the borrower or activity financed must be located within or integrally involved in a designated Distressed Community.

The January 31, 2001 guidance further clarified that, as with other loans, for a participation loan to be considered a Qualified Activity under the BEA Program, the loan must be closed and an initial disbursement made during the applicable Assessment Period. While a participation agreement among lenders may be executed prior to an applicable Assessment Period, a BEA Program Applicant shall receive an award only for a loan funding a particular Qualified Activity that is closed during the Assessment Period. In the case of a participation loan that involves one of the lenders serving as a "lead lender" or "agent" for this group, the disbursement of funds to the "lead lender" or "agent" to fund loans to third parties does not necessarily constitute a loan by one or more participating lenders to the lead lender or agent. In particular, if such lead lender or agent is a CDFI, the above-described disbursement may not constitute a loan to a CDFI for purposes of calculating a BEA Program Award.

#### **IX. Lines of Credit**

Given current demand for the BEA Program's resources, concerns have been raised about the current method of calculating BEA Program awards applicable to lines of credit (i.e., based upon the maximum amount of the line). Specifically, with large lines of credit (e.g., \$10 million and above), the borrower often does not fully draw down the entire line of credit within the three-year period. A BEA Program award based on the full amount of the line may require the Fund to obligate more funds than the Awardee will disburse.

As provided in the BEA Program Regulations at 12 CFR 1806.205(d), the Fund has the discretion to limit the amount of an award for any reason. Given the strong demand for BEA Program resources, beginning with the FY 2002 round of the BEA Program, the Fund will limit the amount of resources it will obligate toward Lines of Credit. In the case of lines of credit for commercial real estate loans that are secured by real estate and which have a permanent take out source, Applicants may count the full amount of the line (consistent with current practices). For all other lines of credit, Applicant may only count the amount of monies expected to be disbursed on the line within 12 months of closing, but in no event shall the amount obligated exceed the greater of: (a) The face amount of the line, or (b) \$2 million in the case of CDFI Support Activities and \$1 million in the case of Development and Service Activities.

#### X. Equity Like Loans

For purposes of calculating BEA Program awards, the Fund will treat certain loans, "made on such terms that they have characteristics of equity," to be Equity Investments. The Fund refers to such loans as Equity-Like Loans. Prior to the FY 2001 funding round of the BEA Program, the Fund stated (in general guidance) that an Equity-Like Loan must meet all three of the following criteria to be considered a Qualified Activity: (1) The loan must have a "soft," flexible maturity (i.e., a rolling maturity such as when the maturity date is extended annually by one year, or a maturity in which repayment is required only when the CDFI borrower has resources available to make the payment); (2) payment of interest and/or principal may only be made out of the CDFI borrower's available cash flow and non-payment of principal or interest will not automatically trigger a default; and (3) the loan must be subordinate to all other debt of the CDFI borrower.

In recent years, BEA Program Applicants have developed new loan and investment instruments and the use of Equity-Like Loans has become more common in the financial services industry. In response to these trends, the Fund issued guidance updating and clarifying its policy on the types of instruments it will consider to be Equity-Like Loans for the purpose of calculating BEA Program awards.

Specifically, the January 2001 guidance states that, beginning with the FY 2001 funding round of the BEA Program, the Fund will require an instrument to have each of the following

characteristics in order to be considered an Equity-Like Loan:

(1) The initial term of the loan at the time of origination must be a minimum of ten years.

(2) The maturity date at the end of the initial ten year term must be a "soft" or indefinite, rolling maturity that is extended, subject to the following sentence, in annual increments after the initial maturity date so long as the CDFI borrower continues to be financially sound and carry out a community development mission. The period of the extended rolling maturity must be a minimum of five years after the initial ten-year term. In other words, as long as the CDFI borrower remains fiscally sound and pursues a community development mission, the effective term of the loan must be at least 15 years.

(3) There shall be no periodic payments of principal during the initial term of the loan. The CDFI borrower may pay principal, in whole or in part, during the extended term of the loan or at maturity. Any such payment shall be made in accordance with the provisions of this policy.

(4) Any payment of principal and/or interest on the loan (except at maturity) shall be required to be made only out of the CDFI borrower's available cash flow after satisfying all other obligations, including all other non-subordinated and non-equity-like debt, and operating expenses. Furthermore, failure to make payment of principal and/or interest shall not automatically result in a default. However, nothing in the foregoing shall be construed as a requirement to forego any right to any payment of principal or interest.

(5) The loan must be subordinate to all other debt of the CDFI borrower except for other Equity-Like Loans.

Notwithstanding the foregoing, the Fund reserves the right to determine, on a case-by-case basis, if an instrument evidences an Equity-Like Loan.

As specified in the January 2001 guidance, the Fund requests that Applicants submit to the Fund for review, not later than 45 days prior to the end of the Assessment Period, all documents evidencing loans that they wish to be considered Equity-Like Loans. The purpose for this request is to enhance the Fund's ability to provide feedback to Applicants as to whether a transaction meets the Equity-Like Loan requirements prior to the end of the applicable Assessment Period. Such information will allow Applicants, if they so choose, to modify the instruments to conform to the requirements prior to the end of the Assessment Period. This process is intended to prevent circumstances in

which an Applicant executes loan documents without review by the Fund only to learn after the close of the Assessment Period that the transaction is ineligible. The Fund cannot guarantee timely feedback to Applicants that submit the aforementioned documentation less than 45 days prior to the end of the applicable Assessment Period.

#### XI. Deposits in CDFIs

As provided in the BEA Program Regulations at 12 CFR 1806.205(d), the Fund has the discretion to limit the amount of an award for any reason. Given the strong demand for BEA Program resources and concerns about over-subscription, the Fund has decided to cap the maximum applicable award for deposits in certified CDFIs.

Specifically, effective with the FY 2002 funding round of the BEA Program, for the purposes of determining the award amount attributed to deposits in CDFIs, the Fund will count only the first \$1,000,000 deposited in certified CDFIs. Furthermore, the Fund will only count a deposit in a CDFI if the CDFI receiving the deposit has not made a corresponding deposit in the Applicant making the deposit.

The Fund also wishes to clarify how Applicants should calculate a "Materially Below Market" interest rate on a Certificate of Deposit. The BEA Program Regulations state that any Certificate of Deposit placed by an Applicant in a CDFI that is bank, thrift, or credit union must be: (1) Uninsured; or (2) insured if it earns a rate of interest that is determined by the Fund to be Materially Below Market. The Fund has interpreted a "Materially Below Market" interest rate to be an Annual Percentage Rate that does not exceed 80 percent of the rate on a U.S. Treasury bill of comparable maturity as of the date the deposit is placed. For a three-year deposit, use the three-year rate posted for U.S. Government securities, Treasury Constant Maturity on the Federal Reserve website at [www.federalreserve.gov/releases/H15/update](http://www.federalreserve.gov/releases/H15/update). The rate on the website is updated daily at approximately 4:00 p.m. Eastern Time. Certificates of Deposit closed prior to that time may use the rate posted for the previous day. The Fund also wishes to clarify that the Annual Percentage Rate on a Certificate of Deposit should be compounded quarterly, semi-annually, or annually. In addition, the Fund wishes to clarify that Applicants should determine whether a Certificate of Deposit is insured based on the total amount the Applicant has on deposit on the day the Certificate of Deposit is placed. For example, if an

Applicant purchased a \$100,000 Certificate of Deposit from a CDFI in April, 2000 and purchases another \$100,000 Certificate of Deposit from the same CDFI in May, 2002, then the second Certificate of Deposit should be treated as uninsured for purposes of calculating the Annual Percentage Rate. The Applicant must make note of this in its BEA Program Application.

## XII. Waivers

First, for the purpose of streamlining the Application process and reducing burdens on Applicants, and pursuant to the BEA Program Regulations at 12 CFR 1806.104, the Fund hereby waives the regulatory requirement that Applicants submit the items described at 12 CFR 1806.206(b)(1), (4) and (7). Specifically, for the purpose of this NOFA, an Applicant is not required to submit: (1) Copies of its certificate of insurance issued by the Federal Deposit Insurance Corporation, articles of incorporation, Federal or state-issued bank or thrift charter, by-laws and other establishing documents for the purpose of establishing eligibility for an award; (2) a copy of its most recent Report of Condition or Thrift Financial Report; or (3) a copy of its most recent annual report. The Fund has waived the requirement that these items be submitted with the Application because the Federal Deposit Insurance Corporation will conduct a verification of eligibility for the Fund based on information it has collected from insured depository institutions. Further, each Applicant's total asset size will be obtained by the Fund through other publicly available data sources (specifically, the Fund will use data reported through the Federal Deposit Insurance Corporation's website).

Second, for the purpose of this NOFA and the NOFA published in the **Federal Register** on September 1, 1999 (64 FR 48062), the Fund is waiving two of the requirements set forth in 12 CFR 1806.103(m) of the BEA Program Regulations. Section 1806.103(m) provides that an Applicant may receive an award under the BEA Program for assistance provided to an uncertified CDFI that, at the time of the Qualified Activity, does not meet the CDFI eligibility requirements if: (1) The Applicant requires the uncertified CDFI to refrain from using the assistance provided until the entity is certified; (2) the uncertified CDFI is certified by the end of the applicable Assessment Period; and (3) the Applicant retains the option of recapturing said assistance in the event the uncertified CDFI is not certified by the end of the applicable Assessment Period.

The Fund believes that waiving the first requirement will further the purposes of the Act. Specifically, the Conference Report underlying the Act provides that Congress intended the BEA Program to affect immediately economically distressed communities through infusion of private dollars as loans, services, and technical assistance to, and equity investments in, CDFIs. The Fund believes the requirement that an uncertified CDFI refrain from using the assistance would defeat the purposes of the Act by delaying the uncertified CDFI's ability to use such capital for projects that are intended to catalyze urban and rural economic revitalization.

The Fund also believes that there is good cause to waive the third requirement. Requiring an Applicant to retain the option of recapturing assistance in the event the uncertified CDFI is not certified by the end of the applicable Assessment Period is a matter of business judgment best left to the Applicants themselves. This requirement also potentially imposes added paperwork burdens on Applicants that use standardized loan or investment agreements.

As a result, if an Applicant provides assistance to an uncertified CDFI during the applicable Assessment Period, such assistance may be eligible for an award under the BEA Program if the Fund certifies the entity by the end of the applicable Assessment Period.

Third, as provided in § 1806.200 (a) of the BEA Program Regulations, if an Applicant proposes to carry out CDFI Support Activities or Development and Service Activities, the Applicant shall designate one or more Distressed Communities in which it proposes to carry out those activities. For those Applicants proposing to carry out CDFI Support Activities only (or CDFI Support Activities and Equity Investments in CDFIs) the Fund hereby waives the requirement that an Applicant designate one or more Distressed Communities in which it proposes to carry out the CDFI Support Activities. Instead, the Applicant must sign and submit with its Initial Application, a certification (included in the Initial Application) that it is designating the same Distressed Community as its CDFI partner.

## XIII. Information Sessions

In connection with the Fiscal Year 2002 funding rounds of its programs, the Fund will conduct In-Person Information Sessions to disseminate information to organizations contemplating applying to, and other organizations interested in learning

about, the Core, Intermediary, SECA and NACTA Components of the CDFI Program, and the BEA Program. Registration is required, as the In-Person Information Sessions will be held in secured federal facilities. The Fund anticipates conducting up to 17 In-Person Information Sessions, through October 31, 2001, in the following cities: Anchorage, AK; Boston, MA; Chicago, IL; Dallas, TX; Denver, CO; Honolulu, HI; Los Angeles, CA; Memphis, TN; Miami, FL; Minneapolis, MN; Philadelphia, PA; Seattle, WA; and Washington, DC.

In addition to the In-Person Information Sessions listed above, the Fund will broadcast a Televideo Information Session, using interactive video-teleconferencing technology, on November 8, 2001 (tentative date), 1 p.m. to 4 p.m. EST. Registration is required, as the Televideo Information Session will be held in secured federal facilities. The Televideo Information Session will be produced in Washington, DC, and will be downlinked via satellite to the local Department of Housing and Urban Development (HUD) offices located in the following 81 cities: Albany, NY; Albuquerque, NM; Anchorage, AK; Atlanta, GA; Baltimore, MD; Bangor, ME; Birmingham, AL; Boise, ID; Boston, MA; Buffalo, NY; Burlington, VT; Camden, NJ; Casper, WY; Charleston, WV; Chicago, IL; Cincinnati, OH; Cleveland, OH; Columbia, SC; Columbus, OH; Dallas, TX; Denver, CO; Des Moines, IA; Detroit, MI; Fargo, ND; Flint, MI; Fort Worth, TX; Fresno, CA; Grand Rapids, MI; Greensboro, NC; Hartford, CT; Helena, MT; Honolulu, HI; Houston, TX; Indianapolis, IN; Jackson, MS; Jacksonville, FL; Kansas City, KS; Knoxville, TN; Las Vegas, NV; Little Rock, AR; Los Angeles, CA; Louisville, KY; Lubbock, TX; Manchester, NH; Memphis, TN; Miami, FL; Milwaukee, WI; Minneapolis, MN; Nashville, TN; New Orleans, LA; New York, NY; Newark, NJ; Oklahoma City, OK; Omaha, NE; Orlando, FL; Philadelphia, PA; Phoenix, AZ; Pittsburgh, PA; Portland, OR; Providence, RI; Reno, NV; Richmond, VA; Sacramento, CA; St. Louis, MO; Salt Lake City, UT; San Antonio, TX; San Diego, CA; San Francisco, CA; San Juan, PR; Santa Ana, CA; Seattle, WA; Shreveport, LA; Sioux Falls, SD; Spokane, WA; Springfield, IL; Syracuse, NY; Tampa, FL; Tucson, AZ; Tulsa, OK; Washington, DC; and Wilmington, DE.

For further information on the Fund's Information Sessions, dates and locations, or to register online for an Information Session, please visit the Fund's website at [www.treas.gov/cdfi](http://www.treas.gov/cdfi). If

you do not have Internet access, you may register by calling the Fund at (202) 622-8662.

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